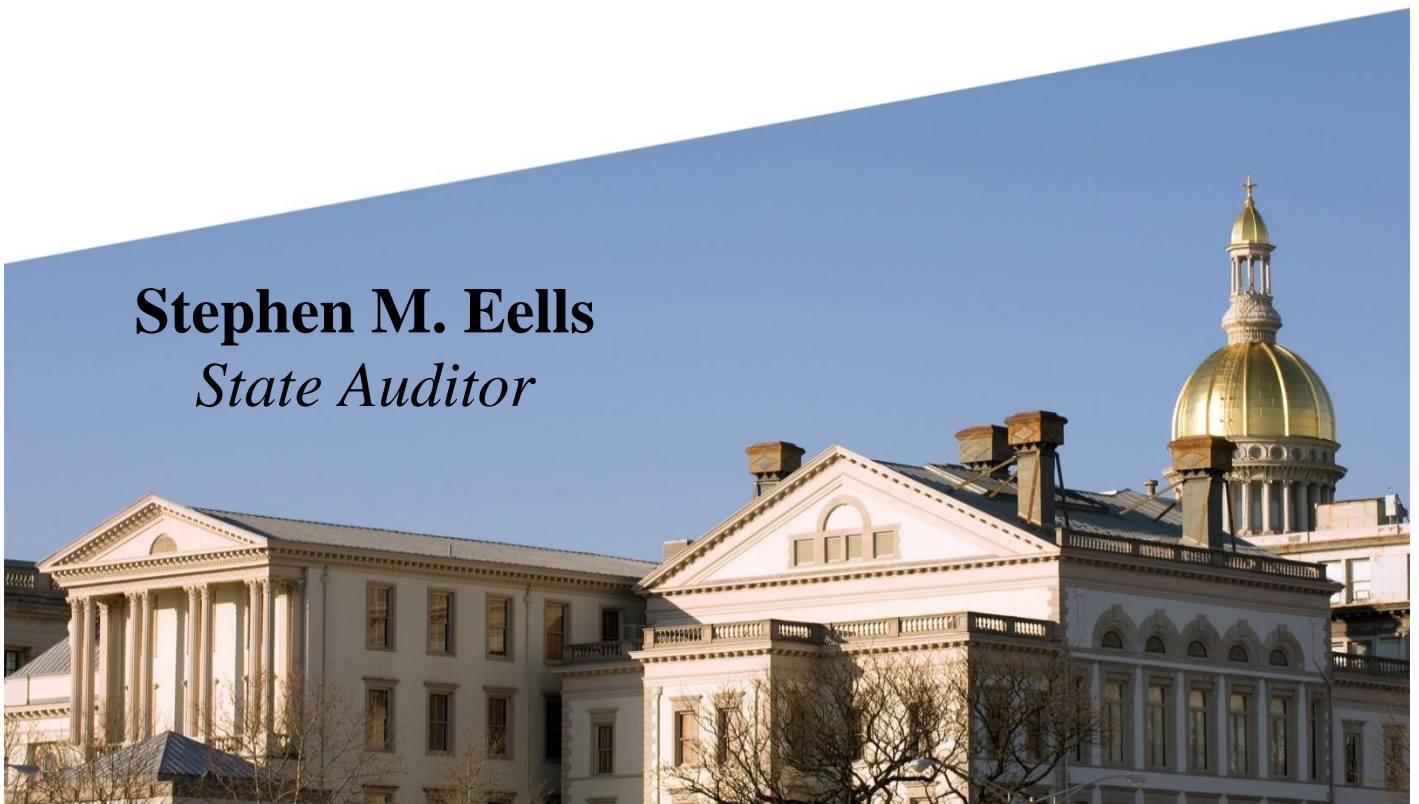


New Jersey Legislature
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Asbury Park School District

July 1, 2016 to December 31, 2018

Stephen M. Eells
State Auditor



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Enclosed is our report on the audit of the Asbury Park School District for the period of July 1, 2016 to December 31, 2018. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
November 13, 2019

Table of Contents

Scope.....	1
Objectives	1
Methodology	1
Conclusions.....	2
Observation	
Per Student Costs, State Aid, and Declining Enrollment.....	3
Findings and Recommendations	
Scheduling.....	7
District Sign-in Procedures	8
Extraordinary Aid	10
Casual Payments	11
Procurement	13
Early Childhood Program	14
Proprietary Funds – Information Technology Center and Food Service.....	17
Health Benefits – Waiver Incentive	17
Auditee Response.....	19

Scope

We have completed an audit of the Asbury Park School District (district) for the period July 1, 2016 to December 31, 2018. Our audit included financial activities accounted for in the district's general fund, special revenue fund, and proprietary funds.

Total expenditures of the general and special revenue funds were \$81.8 million in each of fiscal years 2017 and 2018. In addition, proprietary fund expenditures totaled \$2.4 million and the state funded approximately 87 percent of district expenditures in each of these fiscal years. The district provides regular, vocational, and special education services to grade levels pre-kindergarten through twelve. Total enrollment in district schools was 1,839 students for the 2017-2018 school year. Additionally, approximately 445 students attended charter schools, 266 students attended preschool at one of the district's four contract providers, and 57 students attended school at an out-of-district placement. Since November 2007, the New Jersey Commissioner of Education has appointed state monitors to oversee fiscal operations of the district.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the district's programs, were reasonable, and were recorded properly in the accounting systems. An additional objective was to determine whether the district has efficiently scheduled staff resources.

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 and Financing Act of 1996" amended to 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 that 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, policies and guidance of the New Jersey Department of Education, and policies of the district. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the district's budgets, agendas and minutes of the board of education meetings, reviewed financial trends, and interviewed district personnel to obtain an understanding of the programs and the internal controls. In addition, we reviewed the annual audited financial reports of the district.

A nonstatistical sampling approach was used. Our samples of financial transactions 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.

Conclusions

We found that the financial transactions included in our testing were related to the district's programs and were recorded properly in the accounting systems, however, they were not always reasonable. We observed a continued decline in enrollment, excess capacity across schools, and found the potential for improving staffing efficiencies through scheduling enhancements. Exploring alternative grade configurations and maximizing the use of district school buildings may result in cost savings and a reduction of cost per pupil.

In addition, we noted compliance issues regarding health benefit waiver incentive payments and extraordinary aid. We also noted internal control deficiencies involving sign-in procedures, casual payments, procurement, and other matters related to scheduling, early childhood, and proprietary funds that merit management's attention.

Observation

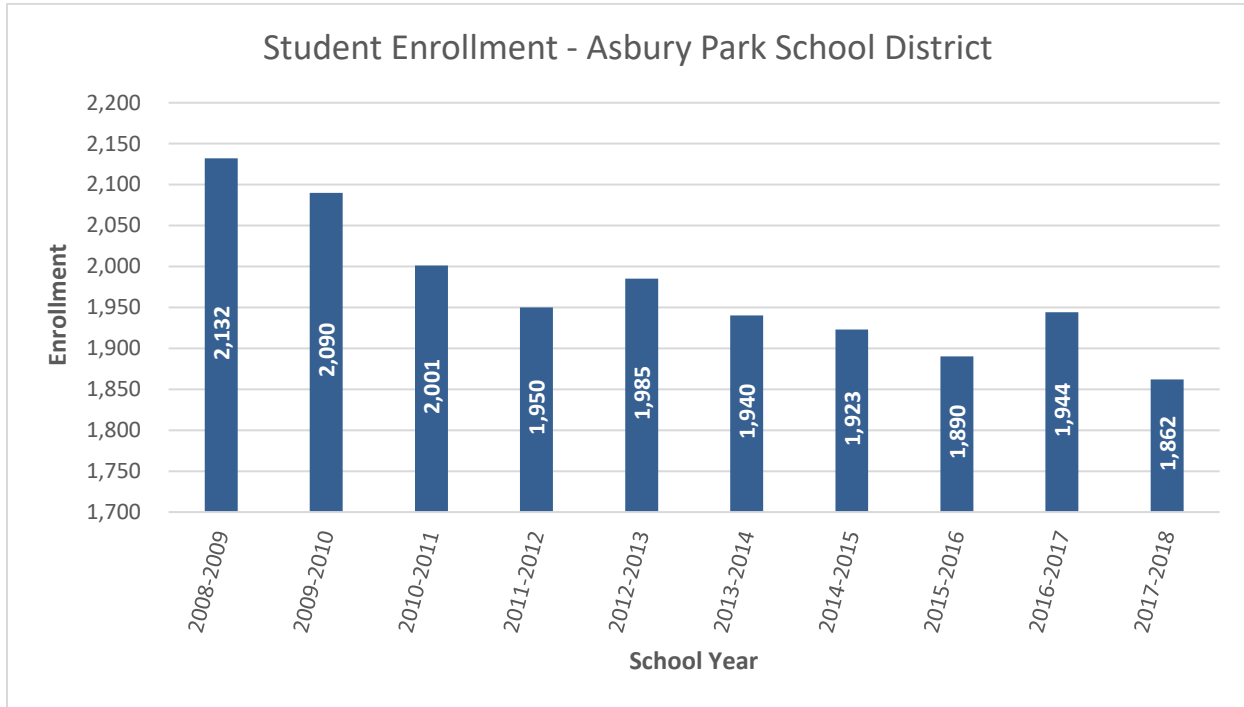
Per Student Costs, State Aid, and Declining Enrollment

Exploring alternative grade configurations and maximizing the use of district school buildings may result in cost saving and a reduction of cost per pupil.

The Department of Education, using information supplied by the school districts, issues the annual *Taxpayers' Guide to Education Spending* (guide), which provides the public the opportunity to view and compare all dollars spent on students enrolled in the public school system. According to the 2018 guide, the district has the highest cost per pupil in its enrollment group (1,801 – 3,500 students) and operating type (K-12). The district also has the lowest student-to-teacher (8.9) and student-to-administrative personnel (77.8) ratios in its enrollment group. The statewide K-12 averages for these two ratios were 12.0 and 159.2, respectively. The district is funded primarily through the various state aid categories. Recent legislation modified the current school funding law, and among other modifications, eliminates adjustment aid provided to the district. Adjustment aid for fiscal year 2019 was \$21.6 million, reduced from \$23.4 million in fiscal year 2018, and it is anticipated that it will be phased out completely through fiscal year 2025. The Department of Education's fiscal year 2019 equalization aid summary from March 2018 calculates the district's local fair share as approximately \$17.4 million, while the user friendly budget for fiscal year 2019 estimates receipts of \$7.4 million from the local levy. With mounting state aid cuts on the horizon, the district will need to make certain budgetary decisions to reduce costs over the next several years. As part of our audit, we observed a continued decline in enrollment, excess capacity across schools, and the potential for improving staffing efficiencies through scheduling enhancements.

Declining Enrollment

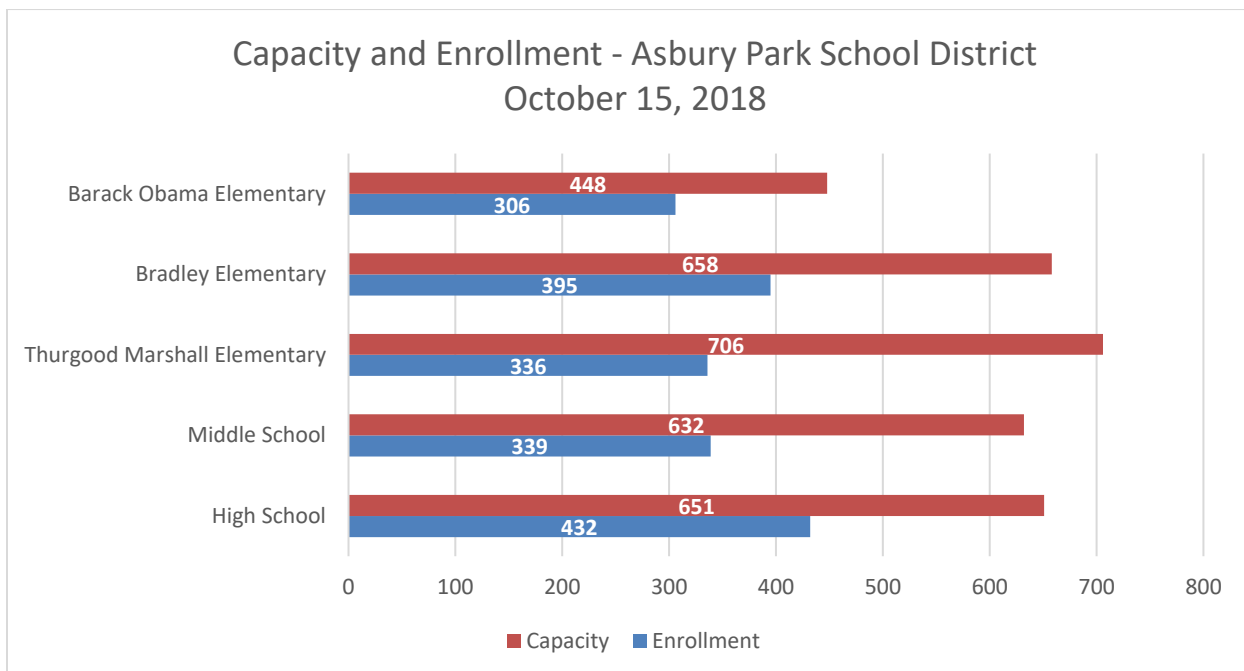
We analyzed district enrollment trends from the 2008-2009 school year through the 2017-2018 school year. Total district enrollment was 1,862 at the end of 2017-2018 school year and has steadily decreased by approximately 14.5 percent over this ten-year period. There has also been a significant enrollment decline over the last two decades. Enrollment in the 2000-2001 school year was more than 3,000 students.



Source: Asbury Park School District, CAFR, Fiscal Year 2018, Exhibit J-18

Excess Capacity

According to the district’s Comprehensive Annual Financial Report (CAFR), total capacity of the five schools is 3,095 students. The district had an enrollment of 1,862 students and operated at 60 percent capacity, as of the end of the 2017-2018 school year. The district may need to determine if the continued operation of all school buildings remains efficient. Currently, the district operates three elementary schools. One was closed for three school years between September 2011 and September 2014, and the district was able to house the student population. Additionally, the district leases a building for central office administration at a cost of approximately \$17,700 per month or \$212,400 per year. The following chart illustrates the excess capacity of each of the five schools.



Source: Asbury Park School District, CAFR, Fiscal Year 2018, Exhibit J-18; Student Information System, District Enrollment Report #1095

Class Size

Since staff salaries and benefits are normally a significant portion of a school district’s annual budget, we reviewed teacher schedules in the district’s student information system to determine if scheduling was efficient. According to New Jersey Administrative Code (N.J.A.C.) 6A:13-3.1, the class size shall not exceed 21 students in grades kindergarten through three, 23 in grades four and five, and 24 students in grades six through 12.

We analyzed student enrollments at the end of the 2017-2018 school year, by grade and homeroom, for the three elementary schools, excluding self-contained special education homerooms. Our analysis revealed small class sizes in several kindergarten through fifth grade homerooms. The smallest was a fifth grade homeroom with nine students. We noted as many as eight homerooms that could have been consolidated in the various grades while allowing the

district to continue to maintain class sizes below the maximum allowed by the administrative code. In some of these instances, combining homerooms would have to occur across all three elementary schools. Housing an entire grade of students in one school or educating a larger pool of students by grade level in a school building could enhance the district's ability to realize staffing efficiencies and increase flexibility to create class sizes closer to those outlined by the administrative code. This alternative may also eliminate occurrences of staff not having a full schedule which is noted in a scheduling finding presented later in this report.

Exploring school reconfiguration possibilities may result in cost savings opportunities while providing a thorough and efficient education to its students. Ultimately, any efficiencies that are achieved could help offset the anticipated reduction of adjustment aid, reduce cost per pupil, and move key ratios from the guide closer to statewide averages. Additionally, housing central office administration in a district-owned building would avoid annual lease costs.



Findings

Scheduling

Maximizing the use of the student information system may improve the instructional staff scheduling process and provide a management tool to improve efficiency.

We reviewed teacher schedules in the district's student information system to determine if scheduling was efficient. Complete and accurate scheduling data is important as it can be used as a management tool to analyze and benchmark class sizes, ensure all employees have appropriate schedules, and ensure each school is efficiently using assigned employees. Our review of the scheduling system revealed the following.

Scheduling Inconsistencies

Six elementary school teachers did not have a schedule in the student information system. We provided a list of these individuals to management, and explanations were obtained from each of the elementary school administrators. The administrators seemed to know the assignments for each of the staff, but a schedule was not created in the system for these teachers. We also noted scheduling inconsistencies during our review such as overlapping assignments, blank or missing periods, and staff assigned to multiple rooms during the same time period. The district does not enter assignments for approximately 60 paraprofessionals, such as teacher aides, even though it is possible. Additionally, beginning seat counts (maximum class size) for classes at the high school and middle school levels were inconsistent and arbitrary. Setting beginning counts based on maximums dictated by the various regulations would provide the district with the true number of available seats in each class and aid in planning the number of classes necessary.

Free Period

Schedules for 11 middle school teachers listed at least one "free period". These free periods were in addition to contractually required preparation periods. In total, there were 25 instances of a free period listed on these teachers' schedules. According to the district, this was used as a placeholder and these teachers had assignments during these periods; however, we were not provided with anything to substantiate an alternate assignment. One teacher had three free periods listed on the "A" day schedule and one free period listed on the "B" day schedule. Additionally, six teachers with free periods received coverage payments. We sampled payments to five of these teachers and found three of them received payment for coverage during their free period. According to the district's negotiated agreement, a teacher required to cover a teaching period during their regularly scheduled preparation period shall be compensated for each full period covered. Each of the three teachers had a preparation period listed on their schedule which was not the period that coverage was provided.

Recommendation

We recommend the district maximize the use of the scheduling module of its student information system. Schedules should be completed for all applicable employees including teachers and paraprofessionals. Data within this system should be used as a management tool to determine if employees have complete schedules and class sizes are reasonable. Scheduling inconsistencies such as overlapping classes, employees assigned to different locations at the same time, and employees without assignments (“free period”) should be avoided. Finally, the district should only provide coverage payments to teachers during a scheduled preparation period.



District Sign-in Procedures

District sign-in procedures should be improved and standardized to provide accountability for all employees.

The district has implemented a process where employees are required to sign in and out each day at a central location in each building. This practice provides documentation to ensure employees are present and leave time can be properly tracked. Additionally, it is important for management to know the whereabouts of each staff member and who is currently in the building if an emergency occurs. We selected two pay periods, one from the 2017-2018 school year and one from the 2018-2019 school year, for one of the elementary schools, the middle school, and the high school to determine if all employees were signing in and out, leave time was charged for employees who did not sign in and out, and staff arriving late were being tracked. Each school has a slightly different process and forms for staff to sign in and out.

Sign In / Sign Out

When employees are going to be absent, they are required to login and enter their absence into an electronic system. This generates a leave-time entry for the absence, and depending on the position, a substitute may be requested. Certain absences, including “no call no show” and employees that call out for the morning and then later for the remainder of the day require manual entries by the human resources unit. We compared sampled sign-in sheets to the leave-time system to determine if absences were recorded. We identified 61 instances in which an employee did not sign in or out on the sheet and there was not a corresponding leave-time deduction entry in the system. We also reviewed the sampled sign-in sheets to determine if the district practice requiring employees to sign in and sign out each day was being followed. We found 1,031 instances where employees were not properly signing in or out. Additionally, 22 employees did not sign in and out for the majority of each sampled pay period even though they were assigned to that building.

Tardiness Tracking

Pursuant to the district’s negotiated agreement, six instances of tardiness in reporting for duty, unexcused by the Superintendent of Schools, shall count as one-half day’s absence, and a corresponding leave-time deduction shall be made. Staff who are repeatedly tardy may be subject to appropriate consequences, which may include the withholding of a salary increment, dismissal, and/or tenure charges. According to district policy, the regular and prompt attendance of teaching staff members is an essential element in the efficient operation of the school district and the effective conduct of the educational program. Each of the sampled schools had a process to identify employees arriving late, but none had a mechanism to track and accumulate the number of times this had occurred. For example, one of the sampled schools highlight the employee names on the sheet that were not yet signed-in by the designated start time. Our review identified instances where employees were signing in late more than six times during the sampled pay periods. We reviewed employee leave records for calendar year 2018 and found no instances where the code to dock employees for being tardy was used.

Sign-in Sheet

The district may benefit from adopting a standard sign-in process implemented across all buildings. For example, the high school late sheet had no preprinted names and the signatures were hard to read. Additionally, the high school sign-in sheet was in weekly increments thereby providing an opportunity to retroactively endorse days during that week. The district has discussed the procurement of a system which would allow employees to electronically sign in and out each day. If properly implemented, this would eliminate the need for the manual logs, eliminate this responsibility for main office employees, standardize the process at each building, provide detailed accountability of all staff, and could be used as a tracking method for tardiness and other absences.

Recommendation

We recommend the district monitor, to ensure compliance with established sign-in procedures, that all employees assigned to each building sign in and out each day. The district should track and accumulate employees that report late to duty and dock their pay in accordance with the negotiated agreement. Human Resources should be notified of all “no call no show” employees and appropriate leave codes should be charged. Additionally, the district should develop a standard sign-in process across all schools.



Extraordinary Aid

The district should improve procedures for tracking extraordinary special education costs and completing the annual application.

Extraordinary Aid is provided by the New Jersey Department of Education to offset costs necessary to educate students with disabilities. The district completes the application annually. To qualify for aid, a student must be classified as a special education student and between the ages of 3 and 21. Additionally, a student's Individual Education Program (IEP) must require at least one intensive service. The amount of extraordinary aid is based on the placement of the special education student. The district's cost of providing education for an eligible student with a disability must exceed the maximum threshold amount in a single fiscal year. The three main placement categories and maximum threshold amounts are listed below.

1. If a special education student is educated in an in-district public school program with non-disabled peers, whether run by a public school or by a private school for the disabled, and the cost of providing direct instructional and support services for this student exceeds \$40,000, then for those direct instructional and support services costs exceeding \$40,000, a district can receive aid equal to 90 percent of the amount of that excess.
2. If a special education student is educated in a separate public school program for students with disabilities and the cost of providing direct instructional and support services for this student exceeds \$40,000, then for those direct instructional and support services costs exceeding \$40,000, a district can receive aid equal to 75 percent of the amount of that excess.
3. If a special education student is educated in a separate private school for students with disabilities and the tuition for this student exceeds \$55,000, then for tuition costs exceeding \$55,000, a district can receive aid equal to 75 percent of the amount of that excess.

The district received extraordinary aid totaling \$675,280, \$579,318, and \$185,552 for fiscal years 2016, 2017, and 2018, respectively. We reviewed extraordinary aid application records and supporting documentation for fiscal years 2016 and 2018. Records for fiscal year 2017 were not available for our review. According to management, they were not available because of a fire that limited employee access where these records were stored. Our audit, therefore, focused on the reasons for the significant decrease in aid between fiscal year 2016 and 2018.

For the fiscal year 2016 extraordinary aid application, the district created a spreadsheet to summarize costs related to the education of in-district special education students. According to an extraordinary aid frequently asked questions document, total class costs, which include teacher salaries, aide salaries, and benefits, are typically divided by the number of pupils in the class. Based on the spreadsheet, 34 students had costs associated with an aide. Each of these 34 students had the total salary and applicable benefit costs for the assigned aide; however, only four students were assigned one-on-one aides. None of the salary and benefit costs for "shared"

aides were prorated for the remaining 30 students. In one instance, the total cost of an aide was captured for four separate students. If the costs for this employee were prorated among the four students, the special education expenses would have fallen below the \$40,000 threshold for each of these students. We did not have documentation to determine how many students “shared” each aide. We estimated the reduction of aid based on the assumption that aides were to be shared by at least two students. Under this assumption, 18 students fell below the threshold and 12 other students had a reduction of qualified costs, thereby causing a reduction of aid of at least \$342,000. Failure to properly prorate employee salaries and benefits for “shared” staff based on the number of pupils in a class would overstate qualified extraordinary aid costs and provide the district with additional aid for which it wasn’t entitled.

For the fiscal year 2018 extraordinary aid application, there were four students that were entered incorrectly on the application resulting in a lower qualified cost on which extraordinary aid is based. As a result, the eligible costs submitted for these four students were \$65,000 lower. We estimate that the district may have received additional aid of approximately \$29,400 for fiscal year 2018.

Recommendation

We recommend the district only include eligible costs and students when completing the extraordinary aid application. Maintaining a spreadsheet with greater detail to accurately track eligible special education students, and the costs associated with providing their education, may assist the district when completing the annual application. The spreadsheet should include, among other key data, the number of students to which each “shared” aide is assigned, all costs for related services, and whether or not costs are based on tuition.



Casual Payments

Controls should be improved to ensure the propriety of casual payments.

Casual payments are approved at board meetings for various reasons including sports stipends, retroactive payroll payments, extracurricular activities, and home instruction. These payments totaled \$2.8 and \$3.0 million for fiscal years 2017 and 2018, respectively. Once the work assignment is completed, the employee fills out one of the district’s supplemental payment forms. This form serves as documentation that the work performed was completed and requires approval from the employee’s supervisor and central office. Once the supplemental payment form is approved, it is submitted to the payroll unit for payment. We judgmentally selected 50 casual payments totaling \$210,000 during fiscal years 2017 and 2018 and identified the following issues.

- We noted mathematical errors for 7 of the 50 payments. These exceptions ranged from payments in excess of board approval to errors in the calculation of total hours worked. In one example, an approved voucher for an employee was paid for 90 hours when only 30

hours were worked, resulting in an overpayment of \$5,760. This was brought to management's attention and an agreement was entered to recoup the overpayment.

- Eight of 43 vouchers tested did not contain required approvals. For example, a voucher for food services overtime did not contain the required supervisory approval.
- The board approved employees that were members of the Curriculum Design Team to develop curriculum for various subjects at a rate of \$360 per completed and approved unit. Each subject and grade had four units and a total cost of \$1,440. We sampled three payments for curriculum writing to three separate employees, the highest payment of \$21,600 was made to one employee for writing 60 units. Two of the sampled employees submitted lump sum payment vouchers, one of which was at the end of the calendar year, and the other at the end of the fiscal year. The other employee submitted a voucher that appeared to be completed based on when the unit was written. Based on this voucher, up to four units were completed daily. If the employee worked 24 hours on four units, the hourly rate would be \$60, which was nearly double the hourly rate for certificated staff during that time period. Assuming the employee spent 8 hours on four units, or an hourly rate of \$180, he or she was paid more than five times the hourly rate for certificated staff. We found other districts that either provide professional development hours to employees who write curriculum or pay an hourly rate and cap the number of hours for each subject.
- Detailed written justification is not required for significant overtime. Completing this justification, including it with payment documentation, and requiring approval by the business administrator would ensure overtime is necessary. We sampled six maintenance and custodial overtime payments totaling approximately \$25,800 to four employees. These payments included 14 days where overtime was 10 or more hours. In one instance, an employee worked overtime of 17 hours, 24 hours, and 24 hours three consecutive days over a holiday weekend. According to the management, overtime was necessary because the fire panel was not functioning and the building could not be left empty without working fire alarms. The description for these instances of overtime was vague and did not include a detailed justification. In another instance, an employee worked 18 hours of overtime while charging vacation for the entire day (8 hours). Additionally, only two of the six had signed approvals from the business office on the supplemental payroll form.

Recommendation

We recommend the district ensure payment calculations are mathematically correct, properly approved, and do not exceed board approval. Developing a supplemental pay form that, for example, automates calculations may aid in the reduction of errors. The district should also determine if the rate to compensate employees for curriculum writing assignments is reasonable. Consideration should be given to capping the number of hours depending on subject or providing employees with professional development hours for future curriculum writing assignments. Written justification should be included for instances where significant overtime is necessary.



Procurement

Controls over procurement need to be strengthened, and the district should comply with procurement policies and regulations.

Per N.J.A.C. 6A:23A, management is responsible for establishing specific internal control policies and procedures designed to provide reasonable assurance that the district's goals and objectives will be achieved. Internal controls shall promote operational efficiency and effectiveness, provide reliable financial information, safeguard assets and records, encourage adherence to prescribed policies, and comply with laws and regulations. We judgmentally sampled and tested 65 expenditure transactions totaling \$1,492,901 for fiscal years 2017 and 2018 and noted the following weaknesses.

- Confirming orders, in which purchase orders were created and approved after the date of service, are strongly discouraged as per district policy. We noted confirming orders were used for 7 of the 65 orders for invoices totaling \$26,288. This procurement practice can result in the business office not having full knowledge of the obligations of the district which could result in overspending the budget.
- The district purchased a new 2018 cargo van from a state contract vendor. The invoice price for the vehicle was \$1,150 lower than the amount of the purchase order because the spray-in floor liner option was removed. Payment was made based on the purchase order amount rather than the invoiced amount resulting in an overpayment. The district was later refunded the difference. Additionally, we noted certain optional equipment added to the vehicle by the district may not have been necessary. For example, built-in navigation, rain sensing wipers, heated exterior mirrors, and running boards, are questionable options. The total cost of this optional equipment was \$2,354.
- Our test of the sampled wireless device transaction revealed devices that were underutilized and unutilized. We expanded our test and summarized wireless activity for a six-month period and found ten devices were not used at all, and five devices that were used minimally. We considered devices that used less than 100 minutes over the six-month period to be used minimally. The average monthly cost for each device is approximately \$50 which equates to approximately \$6,000 annually for unutilized devices, and \$3,000 annually for minimally used devices. We scanned additional periods of wireless bills and found international charges totaling \$2,461, related to an approved trip to Ghana. Switching to an international plan for the four devices used on the trip would have resulted in savings of \$2,181.
- Purchases totaling \$17,200 for electrical supplies were placed with a vendor against an expired state contract. The purchase order was created in July 2016 and the contract had expired in June 2012. Purchasing requirements include the use of current state contracts or competitive pricing for purchases exceeding \$6,000.

- The district's purchasing manual specifies that employee's may not have a direct interest in any contract or agreement for the sale of goods and services to the Board of Education. Additionally, the purchasing manual discourages school officials from recommending purchases from members of their families. We noted a payment of \$7,000 was made to a related party for a workshop and team-building yoga sessions during the summer of 2017. The owner of this business is also an employee of the district. This confirming purchase order was created in March 2018, almost eight months after the workshop was provided. Additionally, the board minutes did not include details regarding the vendor and total payment. The costs were all combined and did not identify the vendor. We identified payments totaling \$5,160 in each fiscal year 2017 and 2018 to another related party for computer equipment maintenance services provided by a family member of a district employee.
- Three transactions did not have quotes for the purchase of goods or services that exceeded the threshold. Pursuant to the Public School Contracts Law and the district's Purchasing Manual, goods or services that are \$6,000 or more, but less than \$40,000 for the entire year, require at least two competitive quotes.

Recommendation

We recommend that the district avoid confirming orders and unnecessary purchases, determine the continued need for unutilized and underutilized wireless devices, ensure state contracts are still valid, comply with existing related party policies, specify in the board minutes all details about who is to be paid, and obtain quotes as required for all applicable purchases. If related party transactions are necessary, additional scrutiny of the transaction should be completed prior to the procurement of goods or services.



Early Childhood Program

The district should ensure enrollment documentation is complete, background check documentation reflects the correct provider location, and lease expenditures are reasonable.

Pursuant to the School Funding Reform Act of 2008, the district provides a free full-day preschool program for all three-year-old and four-year-old students. The district's Early Childhood Program expenditures for the 2017-2018 school year were approximately \$8.7 million. As of October 2017, services were provided by four contracted preschools (providers) for 270 students and in-district classrooms for 150 students. Our review of the Early Childhood Program noted the following issues.

Enrollment Documentation

We analyzed the progression of the 463 students enrolled in the early childhood program for the base school year of 2016-2017 and tracked their enrollment through the 2018-2019 school year. The objective of this analysis was to identify students enrolled in the early childhood program that did not continue enrollment in kindergarten within the Asbury Park School District. We provided the New Jersey Department of Education (NJDOE) with a list of 148 students who dropped off the district's rolls for it to determine where students were being educated. We judgmentally sampled 24 students to determine if adequate documentation was obtained by the district at the time of enrollment. The sample included students who were subsequently enrolled in neighboring districts, an address that matched the location of a provider, and students with the same addresses. The district's enrollment form requires the child's birth certificate, immunization records, and two proofs of residency in one of the parent's names listed on the birth certificate. If the child and parent(s) temporarily reside with someone, a notarized letter from that person and a bill in their name are required for proof of address. Additionally, documentation in the parent's name going to the temporary address must be submitted. We found that residency documentation required by the district's enrollment form was not provided for 6 of the 24 students (25 percent), thereby indicating the students may not have been Asbury Park residents. We noted the following.

- Enrollment records for two of the six students did not have a notarized letter. Records for a third student did not contain the original notarized letter. In a fourth instance, we noted that the letter was notarized by an employee of the provider where the student was attending preschool. This may be a conflict of interest, as district payments to providers are based, in part, on student enrollment levels.
- Enrollment records for three of the six students did not have mail in the parent's name going to the temporary address.
- Enrollment records for one of the six students only contained mail in the parent's name going to the address of the provider. We were not provided with a rental agreement, notarized letter, or utility bills. According to the student information system, this student was residing at the provider location.

Background Checks

Pursuant to N.J.A.C. 3A:52 employees of childcare centers are required to have a Criminal History Record Information (CHRI) fingerprint background check. The center, and each of its staff members provide identifying information and documentation to the state-authorized vendor including, but not limited to, the individual's name, address, date of birth, and the center's license number. We reviewed CHRI documentation for all employees at each of the district's four contracted preschool providers. We found that the provider's license number on the CHRI documentation did not match the license number for certain employees at two providers. These two providers had a total of 35 employees and 15 of them had CHRI

documentation with conflicting license numbers. It should be noted that the two providers have multiple locations within the state and the license numbers on the employee CHRI documentation correspond to other company locations for these providers. Each provider location has a separate and unique license number. According to management of the Department of Human Services Central Fingerprint Unit, childcare center staff are required to be fingerprinted under the license number at the location where they are working. Ensuring matching license numbers increases the likelihood that appropriate parties would be notified if a disqualifying offense occurs.

Leases

The district contracted with the four providers during the 2017-2018 school year. Included in each provider’s budget are indirect costs for school space. Funding is intended to cover the cost of contracted classroom space for the state-funded educational program portion of the day and year within which providers must prorate total space costs based on documented income from other sources as applicable. Supporting documentation for three of the facilities was a lease agreement between the owner of the building and the business, which are allowable relationships. Costs for the fourth provider were based on the mortgage on the property and are not included in the chart below.

The following table summarizes the classroom space costs.

Provider	Contracted Slots	Total Annual Space Cost	NJDOE Portion	Cost Basis	Building SQ FT	Monthly Cost Per SQ FT
A	60	\$ 135,500	\$ 87,226	Lease	6,547	\$ 1.72
B	60	\$ 135,000	\$ 101,388	Lease	6,304	\$ 1.78
C	90	\$ 194,400	\$ 114,024	Lease	9,016	\$ 1.80
Total		\$ 464,900	\$ 302,638			

We calculated and compared the price per square foot of the district’s administration building to the price per square foot of the three leased provider facilities. The monthly cost per square foot for the negotiated lease for the district administration building was \$1.26, while the average monthly square foot cost for the providers was \$1.77, approximately 40 percent higher. According to NJDOE budget planning guidance, the district may require the provider to submit to an independent appraisal of their facility, at the provider’s expense, to justify the lease amount in the event of a less-than-arms-length transaction. According to management, an appraisal has never been performed to substantiate the reasonableness of the space costs.

Recommendation

The district should ensure enrollment documentation for students is obtained in accordance with district enrollment forms and inform providers that notarizing enrollment documentation for prospective students should be avoided. The district should also ensure that license numbers on provider employee background check documentation matches each provider’s license number

for the provider's Asbury Park location. Additionally, the district should consider obtaining independent appraisals to substantiate the reasonableness of provider space costs.



Proprietary Funds – Information Technology Center and Food Service

The district should ensure all operating expenses are recorded in each proprietary fund.

We reviewed the financial statements for the district's proprietary funds included in the fiscal year 2017 CAFR. The district operates two proprietary funds, one for food service, and the other for the information technology center. The Food Service Fund accounts for the financial transactions related to the food service operations of the district, and the Information Technology Center Fund accounts for the financial transactions pertaining to information technology software and services provided to other governmental units within the state. During fiscal year 2017, the food service function, in addition to the food service management company, was comprised of three full-time, ten-month employees, and the information technology center was comprised of five full-time employees. Although salaries were properly charged to these funds, the amounts recorded as employee benefit operating expenses were only \$4,200 and \$5,800 for the food service and information technology center funds, respectively. However, the actual health benefit cost alone for each of these functions were \$41,500 and \$92,000, after the reduction of applicable employee contributions. Charging the actual benefit costs to each of these funds would more accurately reflect operating expenses of each function and would reduce the burden on the general fund. Failure to accurately record all expenditures of each fund results in an inaccurate net position and does not provide the true financial results of each business-type function.

Recommendation

We recommend all health benefit expenses be recorded in the appropriate proprietary fund.



Health Benefits – Waiver Incentive

The district should improve controls for health benefit waiver incentive payments.

The Asbury Park School District participates in the School Employees' Health Benefits Program (SEHBP). In accordance with P.L. 2007, c.92 and P.L. 2010, c.2, the district provides an incentive payment for employees who waive coverage. The payments are made each year in June and may not exceed 25 percent of the amount saved by the employer or \$5,000, whichever is less. Total waiver incentive payments were approximately \$220,000 during fiscal years 2017 and 2018. Employees are only entitled to receive this payment when their other health coverage is not the State Health Benefits Program (SHBP) or SEHBP. Those waiving coverage are required to complete a form indicating that they have agreed to waive coverage and provide

proof of other coverage. This form is signed and dated by the employee. The employer is then required to calculate the amount and frequency of the incentive payment, and mail the completed application to the New Jersey Division of Pension and Benefits. We reviewed the waiver incentive payment calculations for fiscal years 2017 and 2018 for accuracy and to determine if completed waiver forms and proof of other coverage were on file. Our review of the waiver incentive payment calculations revealed the following.

- One employee, whose other health coverage was SHBP, received a waiver incentive payment totaling \$5,000 in each fiscal year. His or her completed waiver form indicated that the incentive payment would be zero. Additionally, proof of other insurance was not on file for this employee and four additional employees at the time of our test.
- Prorated payment calculations for three employees in fiscal year 2017 and three employees in 2018 were not consistent for individuals who waived coverage for a partial year. Based on our calculation, this resulted in two overpayments totaling \$1,215 and four underpayments totaling \$2,775.
- The employee contribution percentage used to calculate the district cost to provide benefits was incorrect for two employees in fiscal year 2017, resulting in an overpayment of \$275. The employee contribution percentage in fiscal year 2018 was incorrect for all employees as it did not calculate savings based on new employee contribution percentages from the negotiated agreement. There was no effect on the majority of the payments as eligible savings still exceeded \$5,000; however, three employees were underpaid \$1,400 as a result.

There are no written policies or procedures regarding waiver incentive eligibility requirements or payment calculations.

Recommendation

We recommend the district develop policies and procedures regarding waiver incentive payments and eligibility. Policies and procedures should include, but not be limited to, eligibility requirements, payment calculations, partial year payment proration calculations, payments to employees who waive a portion of their benefits, and required documentation. The district should ensure the waiver of benefits form is completed, proof of other health coverage is obtained prior to processing payments, and payments are made to eligible employees only. While state regulations allow for a payment to an employee opting out of health benefits, they do not require a district to pay the maximum rate. Cost savings may be achieved by reducing incentive amounts. The district should correct all payments made in error.





Asbury Park Board of Education

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October 18, 2019

Mr. David J. Kaschak
Assistant State Auditor
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Kaschak:

We are in receipt of your audit report of the Asbury Park School District covering the period July 1, 2016 to December 31, 2018. We appreciate the time your team spent reviewing district processes and procedures and associated recommendations that will help the district become more efficient. Below are issues identified in the audit as well as our responses.

Exploring alternative grade configurations and maximizing the use of district buildings may result in cost saving and a reduction of cost per pupil.

The district is evaluating a shift in the grade configuration utilizing a Pre-k to grade 3, 4th through 6th and 7th through 12th grade model. This plan would utilize four buildings and would allow the district to repurpose one building creating greater efficiencies as well as cost savings.

Maximizing the use of the student information system may improve the instructional staff scheduling process and provide a management tool to improve efficiency.

The district has provided additional training to those staff members directly involved with inputting information into the student information system. Additionally, the district has clarified reporting lines to assure accountability and oversight of the function.

District sign-in procedures should be improved and standardized to provide accountability for all employees.

BUILDING A BRIGHTER FUTURE

The district has implemented an electronic biometric scanning system to monitor sign-in/sign-out times to assure an accurate accounting of employee work hours.

The district should improve procedures for tracking extraordinary special education costs and completing the annual application.

The district has adopted new procedures for tracking extraordinary special education costs and has provided training to appropriate staff in the proper completion of the annual application.

Controls should be improved to ensure the propriety of casual payments.

The process for submitting requests for casual payments has been linked to an electronic biometric system. This system tracks actual hours worked for casual pay positions and requires multiple electronic approvals prior to payment being authorized.

Controls over procurement need to be strengthened, and the district should comply with procurement policies and regulations.

The district has provided training on purchasing procedures to minimize the occurrence of confirming orders. Also, the district has reviewed the use of wireless phones and has canceled seven lines.

The district should ensure enrollment documentation is complete, background check documentation reflects the correct provider location, and lease expenditures are reasonable.

The early childhood department has reviewed enrollment procedures and has advised staff of recommendations noted in the audit. Providers have been notified of the location requirement and will no longer have background check notifications sent to a central office but to the actual working location of employees.

The district should ensure all operating expenses are recorded in each proprietary fund.

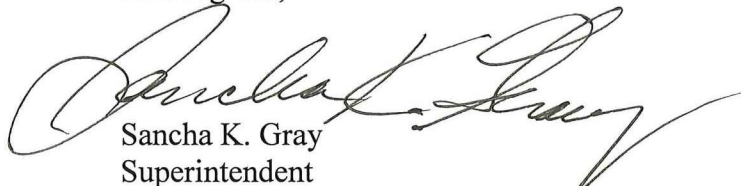
The district has adjusted current healthcare budgets in the enterprise funds to assure charges represent actual costs rather than estimated costs.

The district should improve controls for health benefit waiver incentive payments.

The district has provided additional oversight for this process and has amended standard operating procedures to reflect increased control over payments.

We'd like to thank the audit team for their high level of professionalism and cooperation in working with district staff. We appreciate the time and effort spent in reviewing compliance and the opportunity provided to improve district practices and procedures.

Best regards,



Sancha K. Gray
Superintendent