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MEMORANDUM

TO: Angelo DeSimone, State Monitor
Kathleen Marano, Interim Business Administrator

FROM: Jeffrey C. Bliss, CPA, RMA, PSA
Brooke Abson

DATE: October 5, 2020

RE: Edgewater Board of Education
Recommendations as a result of our Agreed-Upon Procedures Report

As a follow-up to our Agreed-Upon Procedures Report in Connection with the Special Examination of the District's Business Office for the period July 1, 2017 to December 31, 2019 we provide you with the following recommendations as a result of our finding in the report.

It is recommended that:

1. A review be made to ensure expenditures are charged to the proper budget line accounts in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools.
2. All payments made to vendors, either by check or by wire transfer, as well as the semi-monthly payrolls be included on the bills list presented to the Board, be approved by Board action and be made part of the official minutes prior to payment.
3. Purchasing procedures be enhanced to ensure competitive quotations are solicited and attached to purchase orders for all contract awards and purchases that exceed the quote threshold in accordance with N.J.S.A. 18A:18A-37(a).

4. Internal control procedures over purchasing be reviewed and revised to ensure State Contracts and Cooperative Purchasing awards and purchases which exceed the bid threshold are approved by Board action and made part of the official minutes in accordance with the requirements of the Public School Contracts Law. In addition, contract award documentation be maintained on file and made available for audit to support the awards and purchase made through State Contract and Cooperative Purchasing vendors.
5. Executed purchase orders be approved and issued for all purchases and issued prior to the purchase of goods or rendering of services to ensure confirming orders do not occur.
6. Claimant signature be obtained in all instance in which the purchase exceeds the quote threshold as required by State statute.
7. The reimbursement of expenses made to certain District employees exclude the reimbursement of sales tax.
8. The District retain the detailed health benefit invoices for each month and have them available for audit.
9. The District review and enhance its procedures to ensure the timely and current update of the Position Control Roster and that a minimum include all required information of the respective employees in accordance with N.J.A.C.6A:23A-6.8.
10. Budgeting procedures be developed and implemented to ensure documentation and information utilized in the preparation of the annual budget be maintained, retained and available to support amounts appropriated in the District's approved budget. In addition, budgeting procedures be reviewed and revised to ensure sufficient appropriations are provided for in the adopted budget for estimated expenditures.
11. The practice of recording transactions by disbursement adjustments be limited and if deemed necessary be supported by a detailed explanation and be properly documented and approved by management prior to entry into the accounting records.
12. All Debit / Credit memorandum entries be recorded in the District's accounting records upon receiving notice from the State to ensure they are reflected timely in the District's records.
13. Greater care be taken to ensure all liabilities and encumbrances are recorded in the District's accounting records at year end.
14. The District discontinue the practice of paying utility payments by wire transfer.
15. Internal controls be enhanced to ensure employee health benefit contributions are made in accordance with contractual agreements and Board policy.
16. Individuals on extended leave of absences be invoiced in advance for health benefit premiums paid by the District on their behalf.
17. The District perform a review of employee contracts and state regulations to determine the eligibility of individuals to receive District paid health benefits.
18. The District review its vendor payment procedures to ensure claims are paid timely so late payment charges are not incurred by the District.
19. Internal controls be enhanced to ensure the payment to employees for unused sick pay are made through the payroll system and properly reported on the employee's W-2 as taxable compensation.

20. Internal controls be reviewed and enhanced to ensure all eligible employees are enrolled in the applicable state pension system.
21. The monthly financial reports of the Board Secretary and Treasurer be submitted to and approved by the Board in a timely manner and be made part of the official minutes.
22. Bank accounts be reconciled by an individual independent of the recording of financial transactions in the District's accounting records to ensure proper segregation of duties.
23. Executive County Superintendent's or State Monitor's approval be sought as required for all transfers that exceed ten percent (10%) of the original advertised budget appropriation amount in accordance with N.J.A.C. 6A:23A-13.3(g).
24. The Board review and enhance its procedures to ensure all transfers between bank accounts are approved by the School Business Administrator, properly supported and initiated by an authorized District employee.
25. Internal controls be enhanced to ensure the payment to employees for tuition reimbursements are made through the payroll system and properly reported as compensation for the taxable amount in accordance with IRS and State regulations.
25. The District develop, approve and implement a corrective action plan to ensure internal control procedures are in place to prevent operating deficits from occurring in future years.

If you require any additional information or wish to discuss further, feel free to contact us.

EDGEWATER PUBLIC SCHOOLS
FORENSIC AUDIT RECOMMENDATIONS AND CORRECTIVE ACTIONS

In all cases, the State Monitor will be involved in the creation, approval and implementation of the corrective actions. That involvement may be direct, indirect, or in an advice and consent role.

Findings and Corrective Actions:

1. A review be made to ensure expenditures are charged to the proper budget line accounts in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools.

Corrective Action: Interim Business Administrator (IBA) to instruct the people responsible for processing purchase orders and accounts payable in the proper use of the chart of accounts.

Responsibility: IBA

2. All payments made to vendors, either by check or by wire transfer, as well as the semi-monthly payrolls be included on the bills list presented to the Board, be approved by Board action and be made part of the official minutes prior to payment.

Corrective Action: The Bill List presented to the Board for their approval has been updated so that includes all disbursements for accounts payable and for payroll.

Responsibility: IBA

3 Purchasing procedures be enhanced to ensure competitive quotations are solicited and attached to purchase orders for all contract awards and purchases that exceed the quote threshold in accordance with N.J.S.A. 18A:18A-37(a). .i.7-1.7.

Corrective Action: No requisition or purchase order will be processed that exceeds either the quote or bid threshold. The IBA will instruct the person processing purchase orders to flag any requisition or purchase order that exceeds quote or bid limits. The IBA and the State Monitor will sign off on all purchase orders to ensure this procedure is followed in accordance with the law.

Responsibility: IBA and State Monitor

4. Internal control procedures over purchasing be reviewed and revised to ensure State Contracts and Cooperative Purchasing awards and purchases which exceed the bid threshold are approved by Board action and made part of the official minutes in accordance with the requirements of the Public School Contract Law. In addition, contract award documentation be maintained on file and made available for audit to support the awards and purchase made through State Contract and Cooperative Purchasing vendors.

Corrective Action: The IBA will implement a procedure that ensures any action of the board that results in a purchase order being issued in accordance with a State Contract

and exceeds the bid threshold is filed in such a way that all documentation is available for audit.

Responsibility: IBA

5. Executed purchase orders be approved and issued for all purchases and issued prior to the purchase of goods or rendering of services to ensure confirming orders do not occur.

Corrective Action: The IBA and State Monitor will ensure that the administration, Business Office Staff, and district clerical staff is properly trained to observe the Public Schools Contract law.

Responsibility: IBA and State Monitor

6. Claimant signature be obtained in all instance in which the purchase exceeds the quote threshold as required by State statute.

Corrective Action: The IBA and State Monitor will ensure that the administration, Business Office Staff, and district clerical staff is properly trained to observe the Public Schools Contract law.

Responsibility: IBA and State Monitor

7. The reimbursement of expenses made to certain District employees exclude the reimbursement of sales tax.

Corrective Action: The IBA and State Monitor will ensure that the administration, Business Office Staff, and district clerical staff is properly trained to observe the Public Schools Contract law.

Responsibility: IBA and State Monitor

8. The District retain the detailed health benefit invoices for each month and have them available for audit.

Corrective Action: The IBA will instruct the payroll person to retain the detailed backup.

Responsibility: IBA and Payroll

9. The District review and enhance its procedures to ensure the timely and current update of the Position Control Roster and that a minimum include all required information of the respective employees in accordance with N.J.A.C.6A:23A-6.8.

Corrective Action: The IBA will instruct the payroll person to monitor board actions that effect personnel, whether those actions be hires, retirements, resignations, pay adjustments, etc. and to update the PCR accordingly.

Responsibility: IBA and Payroll

10. Budgeting procedures be developed and implemented to ensure documentation and information utilized in the preparation of the annual budget be maintained, retained and available to support amounts appropriated in the District's approved budget. In addition, budgeting procedures be reviewed and revised to ensure sufficient appropriations are provided for in the adopted budget for estimated expenditures.

Corrective Action: The IBA will maintain documentation sufficient to support budgeted line items. The PCR will support the budgeted payroll and budgeted health benefits. Paper documentation and annotations in the budget software will back up budgeted line item expenditures.

Responsibility: IBA and State Monitor

11. The practice of recording transactions by disbursement adjustments be limited and if deemed necessary be supported by a detailed explanation and be properly documented and approved by management prior to entry into the accounting records.

Corrective Action: The IBA will maintain documentation sufficient to support the use of disbursement adjustments. All disbursement adjustments will be approved by the state monitor prior to their implementation.

Responsibility: IBA and State Monitor

12. All Debit /Credit memorandum entries be recorded in the District's accounting records upon receiving notice from the State to ensure they are reflected timely in the District's records.

Corrective Action: The IBA will monitor the receipt of Debit/Credit memos and record the memos in the district accounting system.

Responsibility: IBA

13. Greater care be taken to ensure all liabilities and encumbrances are recorded in the District's accounting records at year end.

Corrective Action: The IBA will review all open purchase orders at year end to properly classify them as either accounts payable or carry over encumbrances.

Responsibility: IBA

14. The District discontinue the practice of paying utility payments by wire transfer.

Corrective Action: The IBA will ensure utility payments are made properly through the use of purchase orders and accounts payable check disbursements. The IBA will instruct the accounts payable person in this procedure.

Responsibility: IBA and Accounts Payable

15. Internal controls be enhanced to ensure employee health benefit contributions are made in accordance with contractual agreements and Board policy.

Corrective Action: The IBA will develop, along with Payroll, a procedure that ensures deductions are made properly and comply with State Law, Contractual Obligations, and Board Policy.

Responsibility: IBA and Payroll

16. Individuals on extended leave of absences be invoiced in advance for health benefit premiums paid by the District on their behalf.

Corrective Action: The IBA will develop, along with the Payroll Person, a procedure that ensures individuals on extended leave of absences are invoiced in advance for health benefit premiums paid by the District on their behalf.

Responsibility: IBA and Payroll

17. The District perform a review of employee contracts and state regulations to determine the eligibility of individuals to receive District paid health benefits.

Corrective Action: The IBA will develop, along with the Payroll Person, a procedure that ensures individuals are eligible to receive district paid health benefits.

Responsibility: IBA and Payroll

18. The District review its vendor payment procedures to ensure claims are paid timely so late payment charges are not incurred by the District.

Corrective Action: The IBA will develop, along with the Accounts Payable, a procedure that ensures the timely payment of claims.

Responsibility: IBA and Accounts Payable

19. Internal controls be enhanced to ensure the payment to employees for unused sick pay are made through the payroll system and properly reported on the employee's W-2 as taxable compensation.

Corrective Action: The IBA will develop, along with the Payroll Person, a procedure that ensures the payment to employees for unused sick pay are made through the payroll system and properly reported on the employee's W-2 as taxable compensation.

Responsibility: IBA and Payroll

20. Internal controls be reviewed and enhanced to ensure all eligible employees are enrolled in the applicable state pension system.

Corrective Action: The IBA will develop, along with the Payroll Person, a procedure that ensures all eligible employees are enrolled in the applicable state pension system.

Responsibility: IBA and Payroll

21. The monthly financial reports of the Board Secretary and Treasurer be submitted to and approved by the Board in a timely manner and be made part of the official minutes.

Corrective Action: The IBA will develop a procedure that ensures all financial reports are submitted to the board on a timely basis via the agenda and all financial documents are made a part of the meeting minutes.

Responsibility: IBA and State Monitor

22. Bank accounts be reconciled by an individual independent of the recording of financial transactions in the District's accounting records to ensure proper segregation of duties.

Corrective Action: The State Monitor and the IBA will terminate the accounting consultant and replace him with a Treasurer of School Moneys.

Responsibility: IBA and State Monitor

23. Executive County Superintendent's or State Monitor's approval be sought as required for all transfers that exceed ten percent (10%) of the original advertised budget appropriation amount in accordance with N.J.A.C. 6A:23A-13.3(g).

Corrective Action: IBA will submit all transfers to the State Monitor for approval. Approved transfers will be submitted to the county office on an informational basis.

Responsibility: IBA and State Monitor

24. The Board review and enhance its procedures to ensure all transfers between bank accounts are approved by the School Business Administrator, properly supported and initiated by an authorized District employee.

Corrective Action: IBA will approve and sign off on all bank transfers prior to their execution.

Responsibility: IBA

25. Internal controls be enhanced to ensure the payment to employees for tuition reimbursements are made through the payroll system and properly reported as compensation for the taxable amount in accordance with IRS and State regulations.

Corrective Action: IBA and Payroll will establish a procedure to ensure tuition payments to staff meet IRS and State regulations

Responsibility: IBA and Payroll