



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

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**Essex County Vocational Schools**

July 1, 2005 to June 30, 2007

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**Richard L. Fair  
State Auditor**

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The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
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Enclosed is our report on the audit of the Essex County Vocational Schools for the period of July 1, 2005 to June 30, 2007. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read "Richard L. Fair".

Richard L. Fair

State Auditor

December 27, 2007

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## Essex County Vocational Schools

### *Scope*

We have completed an audit of the Essex County Vocational Schools District for the period July 1, 2005 to June 30, 2007. Our audit included financial activities accounted for in the district's general fund. Total expenditures were \$32 million in fiscal year 2006.

The district provides both occupational and academic instruction for high school and adult students. We have also issued a forensic audit report dated December 31, 2007 which covered the period July 1, 2005 to June 30, 2006.

### *Objectives*

The objective of our audit was to determine whether financial transactions were related to the school district's programs, were reasonable, and were recorded properly in the accounting system.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, 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, and policies of the school district. We read school district budgets, reviewed financial trends, and interviewed school district personnel to obtain an understanding of the programs and the internal controls. We also interviewed officials from the Department of Education and Essex County to gain an understanding of their oversight and monitoring functions. In addition, we reviewed annual audit reports issued by the district's public school accountants.

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. Sample transactions were judgmentally selected for testing.

*Conclusions*

We found that financial transactions included in our testing were related to the school district's programs, were reasonable, and were properly recorded in the accounting system. In making this determination, we noted certain internal control weaknesses meriting management's attention.

## ADULT EVENING PROGRAM RECEIPTS

### **C**ontrols over evening school tuition receipts needs to be improved.

The district operates an adult evening program each school year. Tuition ranges from \$100 to \$350 per student. The district's system of internal control over the collection of tuition and fees was inadequate. The same individual collects, deposits, and reports the revenue to the controller. There was no reconciliation of the pre-numbered receipt books to bank deposits. In addition, these receipt books were not utilized in sequential order. Furthermore, we found the following:

- Our review of the receipt books showed receipts for the audit period totaling \$137,000. However, deposits in the bank account for the same period totaled \$130,000. The district could not account for the \$7,000 shortage.
- Waivers of tuition were granted to some adult evening school students by the director or the principal without the superintendent's or board's approval. There is no written policy or procedure for waivers of tuition and fees. Revenues could not be calculated for the audit period because of incomplete records maintained by the district. We estimate that \$14,000 of waivers were granted for school year 2006/2007. Adequate documentation was lacking in many cases. Hand written comments on the night school application card served as the only supporting documentation.
- The district has a "no cash accepted policy" for tuition payments. However, we noted several cash payments on the cash receipts documents. We contacted a few students who assured us that they had, in fact, paid their

tuition in cash. No cash entries were noted on the bank deposit slips.

- The district does not deposit receipts in a timely manner. Late deposits of several weeks or months were not uncommon.

***Recommendation***

The district should re-evaluate and revise procedures over the collection of tuition and fees. Segregation of duties, timely depositing, and reconciliations should be a priority. In addition, all tuition waivers should be documented and approved by the superintendent and/or the board.

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**PART-TIME TEACHER**

**P**art-time teacher was paid at the full-time rate.

In order to be compensated at the full-time rate, teachers must instruct four hours daily. We identified one teacher who works 1 p.m. to 3 p.m. daily and was paid a full-time salary of \$80,000 for the 2006/2007 school year. This person also received additional compensation whenever they worked before 1 p.m. or after 3 p.m. The district overpaid this teacher \$40,000 in wages and \$10,000 for health benefits during the 2006/2007 school year.

***Recommendation***

The district should ensure that all full-time teachers are performing the required amount of work as specified in their contract.

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## INTERNAL CONTROLS

**I**nternal controls need to be strengthened to safeguard assets.

Management is responsible for establishing and enforcing internal controls that safeguard assets from loss or unauthorized use. Proper segregation of duties and maintenance of accurate and complete documentation are necessary to assure the proper use of resources as authorized by the district. While the district has taken steps to strengthen internal controls, our audit has identified the following internal control weaknesses.

- The district has written policies and procedures but they have not been updated. In addition, employees were not always familiar with these procedures.
- There is a lack of segregation of duties for the expenditure and payroll functions. One employee assigns access privileges to the district's computerized accounting system and has the capability of adding individuals to the payroll. This employee and eight others have privileges which allow purchase order creation and invoice payment capabilities. We found no compensating controls for these weaknesses. However, our tests revealed no improper transactions.
- The district's check number filing system is very inefficient. Documents are not always in sequential order and some are piled up in a corner in the accounts payable office.
- Purchase orders are not always supported by approved requisitions and little consideration, if any, is given to documentation of vendor payments.

***Recommendation***

Internal control policies and procedures should be developed and strengthened to cover all transaction cycles in order to adequately safeguard district assets. In addition, staff should be properly educated in the control processes mandated by the district to enhance future compliance.

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# Essex County Vocational Schools BOARD OF EDUCATION

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December 26, 2007

Mr. Joseph Ettenger  
Office of the State Auditor  
125 South Warren Street  
P.O. Box 067  
Trenton, NJ 08625-0067

## Auditee Response to State Forensic Audit of Essex County Vocational Schools District

Dear Mr. Ettenger,

The following is the Essex County Vocational Schools District response to the State Forensic Audit Report (Confidential Draft, December 13, 2007) recommendations for the period July 1, 2005 to June 30, 2007.

### ADULT EVENING PROGRAM RECEIPTS

**Recommendation:** The district should re-evaluate and revise procedures over the collection of tuition and fees. Segregation of duties, timely depositing, and reconciliations should be a priority. In addition, all tuition waivers should be documented and approved by the superintendent and/or the board.

**Auditee Response:** The Business Administrator, in conjunction with the Essex County Office of the Inspector General (OIG), has reviewed the transactions identified in the audit findings to determine validity and materiality. Audit deficiencies were either reconciled or substantially reduced during the course of the joint OIG/ State Auditor investigation. It was determined by the OIG that in those few instances where tuition was paid in cash, a nearly corresponding number of student refunds were disbursed utilizing the tuition cash received.

The Business Administrator, with review and approval of the Interim Superintendent, shall develop detailed policies and procedures governing the receipt of and accounting for district revenues, present them to the Board for review and approval and ensure subsequent implementation. The policies and procedures will address the collection of tuition and fees, segregation of duties, the timely depositing of funds and reconciliations of individual accounts.

The Director of Adult Programs shall provide documentation for all tuition waivers to the Interim Superintendent and the Business Administrator for reconciliation of receipts and shall present all tuition waivers to the Board for approval.

**PART-TIME TEACHER**

**Recommendation:** The district should ensure that all full-time teachers are performing the required amount of work as specified in their contract.

**Auditee Response:** The District administration will address the issue with the teacher in question. Procedures and supervisors ensure that all full time and part-time teachers are performing the required amount of work and are being compensated accordingly. The district administration utilizes employee sign in sheets and other attendance and assignment information to ascertain that each employee is working the required amount of time and being compensated accordingly.

**INTERNAL CONTROLS**

**Recommendation:** Internal control policies and procedures should be developed and strengthened to cover all transaction cycles in order to adequately safeguard district assets. In addition, staff should be properly educated in the control processes mandated by the district to enhance future compliance.

**Auditee Response:** District administrators, in conjunction with the Board of Education, will routinely review and revise, if necessary, existing policies and procedures. New policies and procedures will be developed, if necessary, to adequately safeguard district assets. Responsible district administrators will also ensure that "Board Approved" policies and procedures are implemented and enforced.

The district is currently working with a school district policy consultant to perform a thorough review of all school district policies and to archive them on digital media (Projected Completion - August 2008). The Business Office is in the process of restructuring its operations (Accounts Payable and Purchasing completed December 1, 2007) to more effectively process transactions and safeguard district assets. Business Office staff training is in process and on-going.

If you have any questions or need additional information you may contact me at 973-412-2061.

Respectfully Submitted,



Vito Dellibovi  
Board Secretary

Cc: Mr. C. Paslawsky                      ECVTS Board Members                      Dr. Michael Pennella  
Mr. Joseph DiVincenzo                      Mr. Dominic Scaglione                      Mr. Vincent McFadden  
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