City of Camden
Board of Education

July 1, 1998 to July 28, 2000

Richard L. Fair
State Auditor
The Honorable Christine Todd Whitman
Governor of New Jersey

The Honorable Donald T. DiFrancesco
President of the Senate

The Honorable Jack Collins
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the City of Camden Board of Education for the period July 1, 1998 to July 28, 2000.

If you would like a personal briefing, please call me at (609) 292-3700.

November 21, 2000
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City of Camden  
Board of Education

**Scope**

We have completed an audit of the City of Camden Board of Education (CCBOE) for the period July 1, 1998 to July 28, 2000. Our audit included financial activities accounted for in the district’s General Fund, Special Revenue Fund, Enterprise Fund, and Student Activity Agency Fund, excluding payroll expenditures and payments to employees. Annual expenditures of the school district during the audit period were $244 million of which $73 million, or 26 percent, were for purposes other than payroll and payments to employees. The prime responsibility of the CCBOE is to provide a quality education to 18,600 pre-kindergarten to twelfth grade students. Annual revenues were $237 million during our audit period and the major components of revenue were state and federal aid.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the school district’s programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report. This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in N.J.S.A. 18A:7F-6d.

**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 board. 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 also reviewed financial trends and interviewed CCBOE personnel to obtain an understanding of the programs and the internal controls.
In addition, we reviewed audit reports issued by the board’s certified public accounting firm and the state’s Local Government Budget Review. We also conferred with the state’s Department of Education, Special Assistance Task Force, Office of Compliance, and the Office of the Attorney General.

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 populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the CCBOE and walked through the system to determine if the corrective action was effective.

Conclusions

As with our prior report dated August 9, 1999, we noted significant internal control weaknesses and matters of noncompliance with laws and regulations meriting management’s attention. Additionally, we found areas where cost savings could be achieved.

The CCBOE has resolved some, but not all, of the significant issues noted in our prior report. Certain unresolved issues have been restated in our current report.
The CCBOE has many vacancies in key positions that have affected daily operations of the administration.

Several key positions are currently vacant or filled with acting titles. The vacancies include the assistant board secretary, various fiscal administration department heads, and two accounting managers in the business office. Many of the employees that formerly held these vacant positions gave advance notice of departure. This should have given the district adequate time to find replacement personnel. Positions were posted and advertised by the human resources department and qualified candidates were recommended to the board. However, on several occasions the elected board failed to approve the recommended candidates.

The most recent example is the superintendent. Since March 1999 the district has been without a permanent superintendent. A year long search for a new leader for the district was unsuccessful. The board is currently operating under its second interim superintendent.

Some positions have been filled on an acting basis with no indication by the board of when permanent status will be granted. According to one acting supervisor, the ability to institute significant operational improvements is hampered by the lack of a permanent appointment. Employees in non-permanent positions felt that either they lacked authority to institute changes or that any unpopular decisions could affect the granting of permanent status. In addition, greater responsibility has been placed on the remaining staff and the departmental chain of command has been weakened to the point where it is insufficient to handle fiscal problems. Optimal performance can best be achieved when the board establishes a permanent and qualified administration with adequate levels of support staff. This is evidenced by the findings in this report, some of which are the result of poor communication, lack of supervision, and lack of direction by the remaining administration.
**Recommendation**

We recommend the board aggressively seek competent and qualified replacements for vacancies in the administration and permanently appoint them on a timely basis. We further recommend that the acting positions be filled permanently to facilitate the implementation of adequate internal control.

**Auditee’s Response**

The district has moved proactively to fill vacant positions. The board has never placed individuals in acting positions that were incompetent or not qualified. Job descriptions and New Jersey Department of Education certification requirements were always used as guides for acting position.

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**Board Members**

Based on our observations and discussions with staff at the administration building, the board members are there on a regular basis. CCBOE policy 9010 states that, “members of the board have authority only when acting as a board legally in session.” It also states that, “no board member, by virtue of his/her office, shall exercise any administrative responsibility with respect to the schools or as an individual command the services of any school employee.” Some members were on site to attend to board-related activities. However, other elected board members were sometimes individually, and not as an action of the entire board, injecting themselves into the daily management operations. These actions ultimately have a negative impact on the internal control environment.

Pursuant to N.J.S.A. 18A:12-24c., “No school official shall act in his official capacity in any matter where he, a member of his immediate family, or a business organization in which he has an interest, has a direct or indirect financial or personal involvement that might reasonably be expected to impair his
objectivity or independence of judgment.” We saw instances where this objectivity may have been impaired.

- Board members are required to file annual disclosure statements indicating sources of income more than $2,000. A board member did not disclose income earned from three sources that exceeded the $2,000 filing requirement, one of which the board does business with, creating the appearance of a lack of objectivity. This board member no longer serves.

- During another regular meeting, a board member recommended establishing a task force to consider hiring a consulting firm from which the board member received compensation, according to a financial disclosure statement. Even though there was no financial interest as defined by law, there was still an appearance of the lack of objectivity based on the member’s past association with the consulting firm.

**Recommendation**

We recommend board members limit their role in the district to setting policy and other approved duties.

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**Meals for Board Members**

The elected board members are dining at local establishments at the expense of the district. During school year 1999 we examined 54 meal receipts for two local restaurants with a per meal cost ranging as high as $30. Meals “to-go” were included in the bill in 14 instances. We were unable to substantiate circumstances that would justify take-out-meals. When we compared the dates with a schedule of meetings other than regular monthly board meetings, we found there were no board related meetings scheduled in 2 of 13 instances where dates were
noted on the bills. Even when restaurant bills coincided with board related meetings, there is no policy specifying that board member meals should be paid by the board. We also noted that tips in excess of 20 percent were given in 11 cases.

Catered meals are also being provided at the regular monthly board meetings. According to N.J.S.A. 18A:18A-3(b), the board must solicit quotes for goods or services whose expected costs will exceed a certain threshold (currently $2,580). There were no quotes obtained to determine whether the amount was the lowest available for this service. During school year 1999 a total of $6,000 was paid to a vendor for providing meals. The cost of $500 per meeting included dinner for 30 people and take-home containers.

### Recommendation

We recommend meals other than those provided at the scheduled board meetings and related work sessions be discontinued. In addition, documentation for supporting the need for meals should be maintained. The board should also solicit quotes for catering board meetings, including a proposal from the food service department.

### Auditee’s Response

With regard to catered meals, Camden as a district is at the bid threshold, and should utilize Food Service Department for these services as previously discussed.

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### Camden High School

**Student Activity Fund**

Cash disbursements from student activity funds should be discontinued.

Cash collected at Camden High School (CHS) was not always deposited into the student activity account. These proceeds were inappropriately used to make payments to school employees.
A directive issued by the Business Administrator requires funds collected at the schools to be deposited into a central student activity account. Receipts and disbursements are supposed to be recorded using the Safeguard System, a manual accounting system administered by the principal and the school treasurer. At year-end, the records are examined as part of the district’s annual audit.

Middle and high schools are not allowed to disburse funds directly from student activity receipts. Disbursement vouchers with supporting documentation are forwarded to the business office for payment. The business office reviews the supporting documentation and verifies the account balance prior to payment by check.

While these controls appeared adequate, the central administration did not dedicate sufficient resources to ensure compliance with the procedures. Monthly reconciliations for the student activity account for school year 2000 had not been performed as of June 30, 2000. If the reconciliations had been performed along with a periodic review of records, the following problems may have been detected:

- During school year 2000 various fund-raising events and athletic gate receipts totaling $10,000 were held in the school safe for up to four months. In both the 1999 and 2000 school years there were no deposits from September to December, even though the school has armored car service twice a week. By not depositing the cash receipts timely, school funds were subjected to unnecessary risk of loss or inappropriate use.

- The unofficial receipt books indicated that a CHS principal made cash payments totaling $7,700 to school personnel for various reasons. The source of these payouts was cafeteria and athletic receipts that were not deposited. District policy prohibits the high school from making disbursements directly from student activity accounts. There were no receipts or other
supporting documentation to show how $6,700 of this money was spent.

- The principal instructed the treasurer to use nine unofficial receipt books. The principal would then transpose these records to the Safeguard System at year-end. This enabled him to prepare adjusting entries to cover cash disbursements and cash receipts that were not deposited.

**Athletic Gate Receipts**

Not all gate receipts were deposited in the bank.

The Athletic Director did not submit Ticket Sales Reports for each event held during the last two school years until June 2000. These reports should show the attendance and amount collected for each event and should be accompanied by the starting and ending tickets to indicate the number of tickets sold. Without these reports, the administration could not determine how much money should have been collected and deposited for each event. Even though the administration knew that they were two years behind in receiving the reports, action to obtain them was only taken after our repeated requests. We observed these reports being produced after our final request and since the numerical order of the tickets was not consistent, their accuracy was in doubt.

We reviewed the athletic calendar and compared the recently completed Ticket Sales Reports to determine if all monies collected were deposited. According to the records, $3,300 of the athletic gate receipts for school year 2000 were never deposited in the bank.

We also attended several basketball games and were informed that not everyone pays admission. Currently, there is no CCBOE policy that addresses the price of admission and who is exempt from paying. There are no records kept showing total attendance, paid admissions, and free admissions. Without this type of information, we were unable to determine that all gate receipts were properly recorded. Based on our estimate at one basketball
game with a reported paid attendance of 150, more than 200 people were admitted free.

The average annual receipts at CHS for the past five years were $13,000. During the 2000 school year athletic gate receipts were $6,700. During the 1997 school year the former athletic director required everyone to pay admission, resulting in receipts of $21,500. He held the position for that year only.

CHS - Gate Receipts

The basketball booster club, organized and run by the athletic director and head coach, raises funds from sales of food and beverages during home games and private donations. The club has the option of being either part of the school’s student activity fund or operating as a not-for-profit organization. The athletic director and head coach indicated that the club was run as a not-for-profit organization, independent of the district. In order to operate, the booster club must be approved by the elected board of education. In addition, the state’s Division of Consumer Affairs, Board of Charity Registrations

Basketball Booster Club

The basketball booster club does not have financial statements and is not included in the student activity account.
requires organizations raising more than $10,000 to file various forms and be licensed. None of these requirements have been met by the booster club. We were unable to determine the cash activity and the ending balance of the club due to a lack of accounting records.

The school administration gave improper cash advances from the student activity account to the athletic director to purchase food to be sold at the games. According to the athletic director, the proceeds of the food sales were kept by the booster club. Occasionally, cash advances were returned to the student activity account. Cash advances not returned were used to subsidize the basketball booster club.

**Recommendation**

We recommend the district’s business administrator and/or comptroller enforce compliance with the directive for the handling of receipts and disbursements for student activity accounts. All reports, reconciliations, and accounting records should be completed timely. The district should establish and enforce a policy requiring all spectators pay admission to sporting events. The booster club should seek the approval of the elected board and then operate in accordance with the applicable laws and procedures.

**Auditee’s Response**

Camden High School has already begun to address these problems and identify corrective action plans. All class advisors, coaches, and others who handle money at Camden High School were notified in writing by the Principal of proper procedure in handling money. The school’s athletic director is following the directive issued by the business administrator regarding athletic payroll. Any unapproved concession stands or booster clubs operating without board approval ceased to function.

Financial training is being planned for certain school employees. Henceforth, all reports, reconciliations,
and accounting records of the school will be completed in a timely manner.

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**Food Service Receipts**

The middle and high schools and the Early Childhood Developmental Center (ECDC) have full service cafeterias where meals are prepared for students. They also sell a variety of snacks and beverages. Annual sales approximate $370,000 at these schools. The elementary schools, for the most part, provide prepackaged meals only and cash sales are minimal, although a few of these schools occasionally collect larger sums. The CCBOE policy at the middle and high schools requires daily receipts to be turned over by the food service manager at each school to the school’s treasurer and be kept in a safe in the principal’s office until they can be deposited in the bank. An employee at the administration building is responsible for reconciling the bank account and posting the deposits to the district’s accounting system.

Our tests of deposits and observations of cash handling at some of the schools revealed numerous problems. We summarized cash receipts at all middle and high schools and ECDC from September to December 1999. Total cash receipts, as reported by the cafeteria managers for these schools, were $153,000. Of that total, $11,200 was not deposited in the bank at December 31, 1999. By reviewing the January 2000 bank statement, we were able to account for $2,800. That amount, collected on or before December 22, was held over the Christmas break and deposited between January 7 and 13. The remaining $8,400 was never deposited in the bank account. On March 11, 2000 the new principal at Camden High School found a bag containing $1,063 in food monies collected September 24, 1999. Until
it was found in the closet, management was not aware that the $1,063 had never been deposited. The remaining $7,300 has not been accounted for to date. This could have been detected earlier if periodic reconciliations were performed.

The monthly food service cash report is sent by the cafeteria manager to the food service administrative staff located at the Wiggins School. However, they do not receive a copy of the bank statements and therefore are unable to perform their own reconciliation. They must rely on the central administrative staff to perform this function. The food service office cannot determine if the receipts collected were deposited or used by the schools for other purposes. At one school, we noted that some food service receipts were used by the principal as a petty cash fund.

Based on the above results, we expanded our testing of food service deposits. We randomly selected 47 days’ receipts for various middle and high schools and traced the amount to the bank statement to verify that the money was properly deposited. Two of the 47 receipts could not be found on the bank statements. Thirty of the remaining 45 were deposited more than seven days after being collected. In one case, cash was held 22 days before being deposited. In six cases, the cash was not deposited over a long holiday weekend and was held at the schools, increasing the risk of theft or loss. Cash collected from the elementary schools was not deposited prior to the April 2000 spring break and was stolen. This theft of $1,170 could have been prevented if the cash had been deposited instead of kept in a desk when the school was closed.

Based on a schedule from school year 1998 showing food service receipts at Woodrow Wilson High School (WWHS), when two people counted the daily cafeteria receipts, deposits doubled. In spite of this information, the administration did not correct an obvious weakness in internal control. The cafeteria
managers continue to be permitted to count the money with no one else present. These missing cafeteria receipts are currently under investigation by the state Office of the Attorney General. At this school and some others, not all points of sale are recorded in a cash register. This further weakens the internal control over the collection of cash.

**Recommendation**

We recommend deposits be made in a timely manner to decrease the risk of theft or loss. The central office should perform periodic reconciliations by using the monthly cash report from food service and reconciling to the bank statement. Copies of bank statements should be forwarded to the food service office to ensure that deposits are made. Cash counts at the schools should be performed by more than one person and cash registers should be used by all staff at the point of sale.

The board should review its procedure for remitting deposits to the school principals’ offices. Implementing a new procedure to deposit cafeteria receipts directly into the bank could eliminate some of the current problems noted.

**Auditee’s Response**

Current procedures were assessed, and we are now in the process of implementing procedures to ensure that deposits are made and reconciled for accuracy.

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**Travel Expenditures**

The district uses travel agencies to provide out-of-district services for the elected board members and employees. We reviewed 63 payments to one vendor totaling $70,000 and found that $13,000, or 18 percent, did not have adequate supporting documentation. This included charges for meals, lodging, transportation, registration fees, and miscellaneous charges. In four instances the board made duplicate payments totaling $2,600. This occurred because the administration does not
adequately review invoices prior to payment. Invoice authorization is a rubber stamp process. The lack of an adequate review of travel requisitions by the administration resulted in the approval of three employees to attend conferences with lodging at $299 and $378 per night.

Board policy 9250 requires travel expenses to be approved by a motion of the board either in advance or within 60 days following the expenditure. We found 14 payments totaling $14,000 for travel charges incurred prior to board approval. Included in this total was a non-refundable plane ticket for $1,400 that was unused because the board subsequently denied travel authorization.

We were unable to verify board approval for 12 payments totaling $11,000. Invoices did not indicate dates of board approval, item number or page number in the minutes. This information is critical for the administration to process the payments.

**Recommendation**

We recommend the board require receipts and other documentation to support travel service charges. Bills should be reviewed for accuracy, reasonableness, and adherence to established limitations. We also recommend that approval be verified prior to payment. The current policy of elected board approval after the expenditure should be discontinued.

**Auditee’s Response**

All supporting documentation for Board Members’ travel is reviewed by the Board Secretary’s office (through the executive secretary). All invoices are reviewed prior to payment (by the executive secretary).

A new policy for Board Member Expenses has been recommended to the Board (by the Board Policy Committee). A special meeting has been scheduled to vote on the recommended policy. The meeting date is November 2, 2000.
The board’s legal costs have doubled in the last four years.

Legal Fees

In school year 1999 the district spent almost $500,000 on legal fees to the board solicitor, labor attorney, and other attorneys. Based on the Department of Education Comparative Spending Guide, this was the second highest expenditure for legal fees in the state. When the Department of the Treasury’s Local Government Budget Review (LGBR) analyzed legal costs for school year 1995, payments to attorneys totaled $205,000. The rate currently charged by the labor attorney is the same rate mentioned in the LGBR report. However, the billable hours have increased significantly resulting in payments to the labor attorney of $378,000.

One reason for the increase in billable hours by the labor attorney is central administrative staff and elected board members have unlimited access. When an employment-related question arises, it often results in a phone call to the labor attorney in spite of a motion by the elected board members in May 1999 that all initial legal questions should be referred to the solicitor’s firm. The district’s policy with regard to communication with its attorneys does not limit access by staff or board members. We obtained the policies of six other school districts in the state and noted that five had policies that limited communication with the attorney to the board president, the superintendent, and the business administrator.

The board solicitor is paid a retainer of $36,000 to attend board meetings, advise the board and staff, and give written opinions as may be deemed necessary. In spite of the fact that the solicitor’s fee includes attendance at all board meetings, the labor attorney also attends the meetings and bills the board at the hourly rate. During school year 1999 the labor attorney charged the board $8,000 to attend meetings and a press conference. In four cases, the billable hours charged were between seven and nine hours per meeting.
A recent request by the Department of Education for information from the elected board members resulted in a response from the labor attorney based on questions board members had concerning the request. These types of questions should be posed to the solicitor, who is paid a retainer to advise the board. In addition, this does not appear to be a labor related issue since the elected board members are not employees.

Another reason for the large amount of billable hours is that job appointments in the board minutes often include the notation, “Salary to be determined by the labor attorney.” Determining a newly appointed employee’s salary should not require consultation with the labor attorney. If the employee’s title is listed on one of the many salary guides that exist, the employee needs only to be slotted at the appropriate step on the guide. Less than 50 employees of the board are not covered by a salary guide. As noted in our prior report, some of these salary guides were created by the labor attorney and never approved by the elected board members.

**Recommendation**

We recommend the board policy be changed to limit access to the attorneys to a few individuals. The administration should attempt to control its legal costs by using the solicitor who is on retainer. This may reduce the number of hours billed by the labor attorney. Salaries should be based on the salary guides which are approved by the board members.

**Auditee’s Response**

The Board Policy Committee will consider a new policy that will limit access to the attorneys by staff or board members. The Board will also consider hiring an in-house attorney for an annual salary.

Salaries will be based on salary guides approved by the Board members and will no longer be referred to the labor attorney.
Savings could be achieved by improving internal controls for student transportation payments.

Student Transportation

The district provides student transportation through a variety of methods. The total cost of student transportation for all eligible students is $6 million annually. Most student transportation is provided by contracted private bus companies. Some middle school and high school students receive tickets to be used on public transportation. N.J.S.A. 18A:39-1 requires the district to provide transportation to all elementary school students living more than two miles from their school and all high school students living more than two and one-half miles from their school. School districts report the number of eligible students and the mileage to the Department of Education. Based on the number of eligible students and using a complex formula, the department computes the transportation aid provided to each school district in the state.

The district purchased computer software two years ago to aid in the organization of bus routes and to determine the eligibility of students based on mileage. We tested 135 students for state aid eligibility and found that 48 did not meet the mileage criteria. The software and training cost the district $49,000 and could save money in reducing the number of routes and making the operation more efficient. To date this software has not been utilized.

We reviewed the purchase order for the largest bus company used by the board. The purchase order included approximately 140 bus routes at an annual cost of $4 million. Due to a lack of supervisory review of the purchase order, one route appears twice and other miscalculations were noted. This resulted in an overpayment of $27,000.

Although the director of student transportation retired in December 1999, the district did not formally approve a replacement until February 2000. Given the complexity of the student transportation office and the amount of money involved, the district
should have approved a replacement at the time the former director announced his retirement. Failure to have done so may have contributed to some of the problems we have noted in this finding.

Aid in Lieu of Transportation

N.J.S.A. 18A:39-1 also states that when transportation is provided to public school students, transportation will also be provided to non-public school students. Since it may not be cost effective to create a bus route for a small number of children, districts have the option of paying parents a state approved amount described as aid in lieu of transportation. For the 1999 school year, this payment amounted to $351 per semester per student and $298,000 in total. The payments were required to be made after student enrollment had been verified in January and May 1999. Payments of $107,000 were made on December 18, 1998 based on enrollment data received prior to that date.

The district is required by law to advertise for bids for the routes to the private schools. It is then required to determine which is more cost effective, the bus route or paying each parent $702 per student per year. We asked to see evidence that the routes had been bid, but nothing was provided to show compliance with this law. The bus route bids on file did not contain any evidence that the route for non-public schools had been advertised.

We selected a sample of 29 payments totaling $28,000 and verified that the student had attended the school and reviewed the applications on file. We then tested the mileage from their home to the school. Six of the 29 selected (part of the 135 students noted earlier) did not meet the mileage criteria and should not have received the aid. Three of the six exceptions noted were paid even though the transportation office knew of their ineligibility. This resulted in overpayments to parents of $7,000.

Public Transportation
According to reports submitted to the Department of Education, approximately 550 high school students are eligible for transportation but not assigned to a bus route. These students receive bus tickets purchased from New Jersey Transit which are distributed at the start of the Fall and Spring semesters. In school years 1998 and 1999 the administration spent $170,000 for bus tickets, enough to supply 700 students with bus tickets. During school year 1999 the administration spent $35,000 more on bus tickets than were needed based on perfect attendance by all eligible students.

We selected 20 students randomly and reviewed their attendance records. For the 20 tested, the average attendance rate was 65 percent. Eight students did not complete the school year. The attendance data is available to the employees issuing the bus tickets and could be used to determine the number of tickets needed by each student, particularly for the second half of the school year. Also, on the date the tickets were distributed for the second half of the school year some students received more tickets than they needed to complete the school year.

The bus tickets are being bought in excess because of the lack of inventory records to account for the number of tickets purchased, the number distributed, and the ending balance. Purchases of tickets are made by estimating the amount on hand and previous purchases. Greater care should be taken to ensure that the correct amount of tickets are distributed to students and that purchases are made only for what is needed.

**Recommendation**

We recommend the district utilize the software to improve the efficiency of its student transportation office and to determine student eligibility. The purchase order should be reviewed for errors prior to approval and payment, and the district should seek recovery of the overpayment of $27,000.
Aid in lieu of transportation payments should not be made prior to verification of January enrollment. Bus routes for non-public students must be advertised annually.

An inventory of bus tickets should be maintained so that the number of tickets used and needed can be easily determined. Prior to issuing tickets for the second semester, the student transportation office should review the students’ attendance and determine the number of tickets used to date and estimate the amount needed through the end of the school year.

Auditee’s Response

The district has reinitiated training plans for staff training on the Basic Pupil Systems (PTS-111) software which is scheduled to start by January 2001. Accounting measures have been initiated to ensure accuracy in billing. The district has initiated procedure to recover the $27,000.

Accounting measures have been initiated to determine Aid in Lieu of Transportation prior to verification of January enrollment. Measures have been initiated to advertise bus routes for non-public students annually.

Monthly measures have been initialed to determine the number of tickets used as well as needed for both first and second semester estimates.

Medical Transportation

The Camden Board of Education provides transportation to and from medical appointments for employees who are receiving workers’ compensation. During school year 1999 the vendor was paid a total of $47,000 for this service. There is neither a contract nor evidence that the service was advertised for bids. According to N.J.S.A. 18A:18A-3(b), goods or services whose expected costs will exceed a certain bid threshold (currently $12,900) must be advertised for bids. In the prior school year the board spent $27,000. Therefore, they should
have been aware of the need to bid this service. All contracts for performing work shall be in writing, according to N.J.S.A. 18A:18A-40.

Medical transport consists of a wheelchair accessible van designed to provide a level of service greater than a taxicab. All employees are transported by this service regardless of their needs. Based on the types of injuries reported, a taxicab may have been sufficient for 87 percent of the employees transported. We determined that the average cost of this service was $77 per trip. This included waiting time during appointments in some cases. If a taxicab was used instead, the cost would have been $20 round trip for two cab rides with no wait time required. This would have resulted in savings of at least $30,000.

We attempted to confirm a sample of trips with the health care provider listed as the destination. We found that for 9 of the 60 trips tested, there were no corresponding doctor bills for the days in question.

We also reviewed bills for one employee who was reported to have been transported from home to work on 65 occasions. Of the 65 days, the employee was absent from work 19 days and 2 days were Saturdays.

Additionally, we noted an instance when three round trip fees ($50 each) were charged for one individual who had three consecutive appointments on the same day. The total cost was $280, billed as three separate trips. The bill should have included charges for one trip plus mileage driven between the stops and waiting time.

Original documents should be submitted by the vendor for each trip provided. Of 211 invoices reviewed, 43 were photocopies of previous bills that were resubmitted to bill for additional days. The use of photocopies could result in payment for trips that
have not been provided and should not be allowed by the district.

Based on the exceptions noted above, an adequate review of invoices is not being performed prior to paying the vendor. In addition, the fee schedule on file at the district did not reflect the amounts being billed by the vendor.

**Recommendation**

We recommend the district assess the need for providing medical transportation. If deemed necessary, they should advertise for bids for assisted transportation as well as taxicabs to provide services for employees receiving workers’ compensation and execute formal contracts. Transportation should be provided after each employee’s individual needs of transportation is determined. An adequate review of invoices should be performed to ensure accurate payments.

**Auditee’s Response**

In August the Department of Human Services sent to the Purchasing Department their requirements for Medical Transportation. Bids were sent out and an award for Medical Transportation has been recommended at the October Board Meeting.

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**Food Purchases**

According to district policy, the food service supervisor is responsible for ordering all food for the student cafeterias at approximately 35 schools. In addition, the policy for purchasing requires that nothing is to be ordered by school personnel without an official purchase order. The policy further states that personnel will be required to bear the expense of such purchases by salary deductions.

In addition to regular deliveries during February and March 2000, one school’s food service manager repeatedly placed unauthorized orders directly with
two meat and produce vendors. Unauthorized purchases for these months included such items as:

- 174 pounds of sausage
- 720 extra large eggs
- 35 pounds of pork ribs
- 80 ten-inch pie shells
- one case of pink salmon
- two bags of shrimp

These items do not appear on the school’s menu for these months.

Based on conversations with teachers and the supervisor of food services, breakfast was served to staff. Employees were charged approximately $2.50 per meal. In addition, some employees purchased lunch. There is no cash register at the school to record sales. For the month of February, the food service manager reported cash sales of approximately $400 or $20 per day. Bank deposits reported by the food service department for the school were only $325. No comparison of the report and the bank statements is performed. Also, the sales generated from the large quantities of food purchased should have resulted in additional cash receipts.

**Recommendation**

We recommend the board enforce its policy and seek reimbursement from employees making unauthorized purchases. Invoices should be closely examined to detect purchases of items that do not appear on the menu or appear in excessive quantities. At some schools, meals are available to employees as a convenience. In these cases, internal controls must be instituted to reduce risk of loss of the increased cash receipts. Monthly cash reports should be reconciled to bank statements. Cash registers should be used at all cafeterias.

**Auditee’s Response**

Bids were solicited and an award was made for a Prime Food Service Food Vendor in August of 2000. Ordering has been streamlined along so that approved items only may be ordered. If the vendor
does receive a request from any school for items not in the weekly cycle, they must first get approval from the Food Service Supervisor prior to delivery. In addition the vendor is required to submit to the Purchasing Department a recap monthly on their activities.

The district should seek service under warranty and require written annual service contracts.

**Computer Repair Service**

When computer service is needed, policies and procedures require a service request to be prepared by the school and sent to the technology department where a determination is made to service the problem with in-house technicians or seek a vendor. If it is determined a vendor is needed, the technology department sends a service request and authorization to the vendor. Each school is responsible for preparing a requisition and sending it to the purchasing department. After the service is performed, the vendor sends an invoice to the purchasing department where a purchase order is prepared. The purchase order and vendor invoices are sent to the school and board administrator for authorization. Upon authorization, the purchase order is sent to accounts payable for inclusion in the monthly bill list. Once the bill list is approved by the board, the check is printed and mailed. Payments are being made without verifying that the work was requested or properly completed.

We found that the schools did not prepare requisitions correctly. They were often poorly worded and lacked critical information to identify the problem, the machine, or dollar amount of service. This allows vendors to bill against various open requisitions curtailing the purchasing department’s ability to match the requisitions to the vendor invoices. Currently, vendor invoices are not returned to the technology department for reconciliation to the original service request or the requisition.
Computer repairs for the district during the audit period totaled $108,000 and were split between two vendors. Purchasing regulations during the audit period required services exceeding $12,900 to be competitively bid. However, the district did not seek competitive bids when selecting computer repair vendors.

The School to Career Committee oversees the vocational education programs which use computer technology. A vendor, as a member of this committee, was able to suggest system upgrades, perform the service, and bill the district. The following are examples of services the vendor billed to the district:

- The board paid $15,000 for an annual support contract for which there was no written documentation detailing the type of support service, period covered, or identification of computers included. Neither the vendor nor the administration was able to provide us with a copy of the service contract. This item was not listed on the original requisition, but was added by the vendor during his billing.

- A requisition for the transfer of computers from one room to another resulted in the vendor billing for rearranging the furniture and cleaning the room. In addition, the vendor moved other machines not requested on the requisition, added upgrades, and billed the district over $3,000. The district has a technology department with staff that could have performed these services.

- The vendor was paid to wire a computer lab. The work performed was not in compliance with fire codes. The vendor then recommended to the School to Career director and supervisors to correct the deficiencies for an additional cost, although an exact price was not quoted.
• The same vendor charged two hours labor to fix a tool bar (a point and click solution) and billed five hours labor to connect a machine to the network by installing four patch cables.

• The vendor has recently submitted unauthorized invoices totaling over $9,500, of which $7,500 has not been paid.

• The administration does not determine if repairs are covered by the manufacturer’s warranty. We found $4,300 in repairs performed by outside vendors that could have been avoided if they had utilized the manufacturer’s warranty.

During the completion of the field work, the district sought bids from other computer service vendors in an attempt to reduce costs and comply with purchase regulations. However, regardless of which vendor is selected, invoices have to be reconciled to ensure the situation does not occur again.

Recommendation

We recommend the district review all invoices paid to vendors and seek reimbursement for unauthorized work. We further recommend that requisitions provide more detail of the service requested and corresponding invoices be sent to the technology department for reconciliation to the original service request prior to payment. In addition, computers under warranty should be repaired at the manufacturer’s expense.

Auditee’s Response

Bids were solicited and awarded in June. In conjunction with the Technology Department and Consultant, procedures were developed and given to each school for computer repairs. The Technology Department is the only one authorized to call for repairs and then verifies that the work has been done and signs off on the purchase order for payment. This is again reviewed by Purchasing before submittal to accounts payable.
To avoid unnecessary expenditures, the district should base equipment purchases on immediate needs.

Equipment and Other Purchases

Equipment had been purchased and remained unused for as long as five years. During our audit, we visited the supply warehouse and many of the schools in the district and found idle equipment and supplies being purchased in excess. The problem exists in various departments within the administrative and maintenance functions involving purchases that, in some cases, have never been utilized by the district.

In August 1998 the Director of Business Services initiated a $50,000 purchase of computer software and equipment designed to transfer payroll and personnel documents onto compact discs. Although this equipment and software remain unused, in May 2000 the district spent an additional $35,000 for a two-year maintenance and telephone support contract, training, and additional software.

In September 1998 the district, in cooperation with corporate sponsors, initiated a voice messaging phone system that would allow parents and teachers to communicate on a regular basis. The only cost to the board would be the installation of 133 phone lines in the schools. Multiple lines would be required in all buildings. While the system may have worked initially, it is currently not functional in any of the five schools we checked. The system at Woodrow Wilson High School has never worked, according to the system operator. The system cost $27,000 to install plus the cost of time spent training staff. The phone lines each cost $21 per month.

Since September 1998 the district has spent $60,000 in phone charges for the 133 lines. These lines are still active and charges continue to accrue, even though the lines are not being used.

In August 1999 the district purchased two sets of kitchen appliances and bedroom furniture for Pyne
Poynt Middle School and Camden High School (CHS). According to members of the Special Assistance Task Force, the items sent to Pyne Poynt Middle School were being utilized for home economics instruction. We went to CHS in response to their concern that the items intended for that school were never received. In March 2000 we located the items in the vocational section of CHS. The items cost the district $4,000 and were in a classroom, but were not being used.

The maintenance department purchased $80,000 of custodial and lawn maintenance equipment approximately five years ago which remains in the warehouse. The inventory includes the following items:

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Item</th>
<th>Unit Cost</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>Two-speed Floor Machines</td>
<td>$800</td>
<td>$26,400</td>
</tr>
<tr>
<td></td>
<td>(buffers)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>High Speed Floor Machines</td>
<td>$1,475</td>
<td>$16,225</td>
</tr>
<tr>
<td>21</td>
<td>Rug Shampooers</td>
<td>$1,472</td>
<td>$30,912</td>
</tr>
<tr>
<td>7</td>
<td>Snow Blowers</td>
<td>$723</td>
<td>$5,061</td>
</tr>
<tr>
<td>4</td>
<td>Wet/Dry Vacuum Cleaners</td>
<td>$550</td>
<td>$2,200</td>
</tr>
<tr>
<td>7</td>
<td>Yard Vacuums</td>
<td>$595</td>
<td>$4,165</td>
</tr>
<tr>
<td>480</td>
<td>Toilet Plungers</td>
<td>$22 (dozen)</td>
<td>$880</td>
</tr>
</tbody>
</table>

The need to purchase these items in such large quantities is questionable considering they have never been used. All the schools have floor machines already. To have a few on hand as replacements seems reasonable, but not one for each school.
**Recommendation**

We recommend the district stop buying equipment that is not needed. Educational programs should be well planned prior to committing resources. Once costs are incurred, the program should be carried out and monitored in order to assure benefit to the district.

**Auditee’s Response**

The computer software and equipment to transfer payroll and personnel documents to compact disc is a needed program. The $35,000 was spent to complete the project and provide training. With regard to the phone lines, all lines for the Home Work Hot Line were cancelled once Purchasing was informed that the program was no longer being used. The kitchen appliances for Pyne Poynt Middle School and Camden High School have not been put to use because it is the understanding of the Purchasing Office that room renovations need to be done, but the renovations were never budgeted.

The equipment listed below is needed for use and distribution to the various schools. The report indicated that the Maintenance Department purchased equipment approximately five years ago and is currently stored at the supply warehouse. The equipment inventory was verified via the purchasing manager. Some of the equipment has been distributed to the various schools for use. The equipment that remains at the warehouse is a result of storage issues and problems at the schools. Also, the additional pieces of equipment will be used as back up and replacements for used and/or damaged equipment. In the coming weeks, the maintenance department will assess the equipment needs at each school and utilize the inventory of equipment outlined in the report. Below is a current breakdown of the equipment indicated:

<table>
<thead>
<tr>
<th>Description</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment inventory verification</td>
<td>Some equipment has been distributed to the various schools for use.</td>
</tr>
<tr>
<td>Equipment in warehouse</td>
<td>Some equipment remains at the warehouse due to storage and problems.</td>
</tr>
<tr>
<td>Additional equipment</td>
<td>Additional pieces of equipment will be used as backup and replacements.</td>
</tr>
<tr>
<td>Maintenance department needs</td>
<td>The maintenance department will assess equipment needs at each school.</td>
</tr>
<tr>
<td>Use and distribution</td>
<td>Utilization of inventory outlined in the report.</td>
</tr>
</tbody>
</table>
### Insurance Broker

Since 1995 the district has used the same insurance broker even though more favorable rates may be available elsewhere. Insurance brokerage fees for school year 2000 were $100,000. One of the broker’s responsibilities is to recommend a Third Party Administrator (TPA) to manage workers’ compensation claims. The broker’s proposal is incorrect with regard to the fee for the TPA. The broker’s proposal for school year 2000 quotes a fee of $79,000 for these services. Not mentioned in the proposal is that this fee is based on a maximum of 325 claims per year. For school year 1999 the district paid an additional $54,000 in claims administration fees, based on actual claims of 616. The broker’s proposal also contains a schedule of workers’ compensation claims showing that the yearly average for the last five years was 450 claims. Based on this information, the district claims activity has always exceeded the ceiling of the contract with the TPA. The price quoted in the proposal does not realistically report the fee the TPA will be paid.

In addition, the broker recommended the current prescription drug carrier. As cited in our last report, the plan used by the district is more expensive than the State Health Benefits Program. While the SHBP
includes various rates and levels of coverage for single and married employees, the current plan used for board employees has a flat rate of $137 per employee. Based on the rates for school year 2001, the district prescription drug coverage will cost $540,000 more than the SHBP. The co-payments for the SHBP compared to the district plan are $3 more for name brand drugs and the same for generic.

**Recommendation**

We recommend the board advertise for bids for its insurance brokerage needs. As noted in our last report, the board should switch its prescription drug coverage to the SHBP.

**Auditee’s Response**

The Board annually selects an insurance broker who is responsible for obtaining the best insurance for the lowest price and to recommend a TPA to manage workers’ compensation claims. The Board evaluates the performance of its broker and determines if the contract of the broker should or should not be renewed. The board will consider OLS’s assertions in the evaluation of its insurance broker.

Drug coverage is provided in the district’s negotiated contracts. Changing plans may affect deductibles and other items subject to the negotiation process. The district will consider SHBP for prescription coverage as one of its options.

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**Criminal History Background Checks**

Contrary to N.J.S.A. 18A:6-7.1, cafeteria workers started employment in the schools prior to completion of required background checks. All employees of a public school district serving in a position which involves regular contact with pupils must submit to a criminal history background check if the employee was hired after October 8, 1986. N.J.S.A. 18A:6-7.1 allows the district to employ an applicant on an emergency basis for up to three months, pending the completion of the criminal

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Employees are placed in schools pending the results of the background checks.
history records check. To do this, the board must submit a request to the Department of Education that includes: 1) a description of the position being filled; 2) a statement describing the board’s good faith efforts to fill the position or a statement describing the unanticipated need for the applicant’s employment; and 3) a sworn statement submitted by the applicant attesting that the applicant has not been convicted or does not have a charge pending for a crime or any other offense that would disqualify them from employment.

According to the staff assigned to monitor the process at the district, the district does not require non-emergency hires to wait for completion of the background checks to begin working. If the background check discloses that the individual has a record of conviction for any crime of the first or second degree, they are permanently disqualified from employment and terminated immediately. Between July 1998 and the present, the board has terminated 75 employees of approximately 600 new hires after receiving the results of background checks.

We noted that this practice is not limited to this district. Other districts also allow employees to start working pending the background check.

**Recommendation**

We recommend the district comply with N.J.S.A. 18A:6-7.1 and complete background checks prior to allowing employees to work in its schools.

**Auditee’s Response**

The intent of criminal history background checks is clear and supported by all who work in public education. However, practical application is a serious problem. Turnaround time in Trenton can take up to six weeks. If districts, including Camden City waited for background checks to be completed prior to allowing employees to work, schools would open in the fall with increased numbers of substitutes. As there is a national and statewide teacher and substitute teacher shortage, forcing districts to wait until background checks are
complete could force districts to close classrooms due to unavailability of qualified staff. Only when full background checks can be complete in seven days or less will Camden City and many other districts be able to align the intent of 18A: 6-7.1 with practical application.

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Recycling

As required by law, the district should recycle.

The district currently does little or no recycling of paper, bottles, and aluminum cans. Since 1987 N.J.S.A. 13:1E-99.11 has required institutions and businesses to implement recycling programs. The Camden County Board of Chosen Freeholders, in 1993, adopted Solid Waste Plan Amendment 72-8-93, which outlined strategies for achieving a goal of 60 percent recycling of municipal solid waste.

The school district uses its own staff and two garbage trucks to pick up trash at all of its buildings. The district dumped a total of 1,700 tons of garbage at two landfills during 1999 at a cost of $84,000. If only 40 percent recycling is realized, the district could reduce its landfill costs by $33,000 annually. Some of these savings may be spent in collection of the recyclables. The district should be able to comply with the law at no additional cost.

Recommendation

We recommend the district comply with state and county laws by instituting a recycling plan in the school district.

Auditee’s Response

Several years ago the school district was participating in a recycling program as required. Various factors prevented the continuance of the program. Some of the factors included non-participation on the part of vendors and collectors. In addition, the district experienced compliance issues and problems. In the coming weeks, Plant Services will investigate alternative programs and methods to implement an effective recycling
program. This may require the use of an outside agency to assist in planning and managing the program.

Prior Audit Compliance

Although some prior issues have been resolved, others need further attention.

During our current audit, we reviewed the areas noted as having problems in our prior report dated August 9, 1999. We were able to determine that some improvements have been made since our last audit. Some of the findings dealt with benefits from the employee contracts and staffing levels which may take longer for changes to be implemented because on-going contracts must expire.

Overtime and Other Pay

We reviewed the total overtime for the last two years. In our prior audit report, we stated that calendar year 1998 overtime totaled $700,000. In school year 2000 total overtime was $320,000, a decrease of over 50 percent. Custodial overtime, which represented 78 percent of the 1998 amount, was also reduced by more than one-half.

Holiday pay for custodians is still calculated incorrectly. In our prior report, we noted custodians being paid quadruple time for holidays. We tested six payments totaling $3,600 for the period between December 24, 1999 and January 9, 2000 and noted overpayments of $1,200. Holidays, according to the contract, are scheduled on weekdays. Since the employees’ regular paychecks include one day’s pay for the holiday, they should receive an additional payment for hours worked at the regular rate, resulting in double time as allowed by the contract. For the payments tested, the employees received double the hours worked at the regular rate, resulting in triple time for holidays. In addition, employees were paid the holiday rate for December 25 and January 1, even though the contract states that some
of these holidays will be celebrated on Friday or the subsequent Monday. This resulted in some employees receiving holiday pay for four days when the contract allowed for only two.

**Salary Adjustments**

The CCBOE Resolution No. 3, adopted August 25, 1997, gave non-bargaining unit administrative employees annual salary increases of 4.25 percent in school years 1997 through 1999. Actual increases were based on salary guides that resulted in increases that were as much as 23 percent through the first two years affected by the resolution. To date, there has been no adjustment of salaries to agree with the 4.25 percent authorized by the board. The directive of the elected board members has not been carried out almost three years after its adoption.

**Termination of Health Benefits**

The district had improved its timeliness with regard to the termination of employees from the health benefits roster after their eligibility has expired. In addition, the dental plan function has been realigned and the employee handling it now receives changes in the employee coverage from the staff that handles health benefits. However, there is still a problem with the dental plan roster of employees. The list for June 2000 contains 50 more active employees than the roster for health benefits.

There continues to be a problem with the coordination between the staff that handles enrollment and changes for the four plans. No one verifies that monthly bills submitted by the providers include the same eligible employees and retirees. We found at least 16 employees recently terminated from the health benefit plan that had not been deleted from either the vision, prescription, or dental plan.
Satellite Lunch Aides

Our prior report noted that the part-time lunch aides were not properly approved by the elected board members at the regular meetings. This has been corrected and the superintendent’s report, presented monthly to the board for approval, now includes a list of newly hired satellite lunch aides.

The prior report also noted that the board employs 600 part-time satellite lunch aides at an estimated cost of $2 million annually. The district’s response to our report stated that, “July 1, 1999 the district’s records show that 332 lunch aides are currently employed at all of the schools, not 600 as stated in this report.” The board’s payroll records for June 1999 reports 543 lunch aides paid during the month. The same report for June 2000 does show that 474 lunch aides were paid that month.

The internal control weakness regarding the processing of the payroll has not been corrected. One employee still inputs the data and sorts the checks prior to issuance. These functions have not been separated as recommended in our prior report. The person who inputs the data should not handle the paychecks.

Travel and Gasoline Allowance

The board has reduced its gasoline usage in the current school year. By restricting the access to the gas pump to those authorized, the board has saved $11,000. The board is still buying premium unleaded gasoline. In addition, certain employee contracts permit attendance officers to receive 15 gallons of gasoline per week plus a mileage reimbursement of $.31 per mile. Since the mileage rate includes the cost of gasoline, these payments are redundant. Additionally, any compensation in excess of the federal rate should be reported to the employee as income on form W-2.
Garnishment of Wages

The board has worked with the company that supplies the accounting and payroll software to improve the accuracy of payroll deductions for garnishments and child support. We reviewed the garnishments for part time employees and noted that the deductions were being made in most cases. Garnishments for salaried employees are not being made from overtime and summer pay, only the regular salary. In cases such as child support, the additional deduction may not be required. Other garnishments state that all compensation is subject to the garnishment. The district must take action to ensure compliance with all applicable laws.

Substitute Teachers

The board has complied with our recommendation and no longer pays substitutes for holidays. A memo was sent to all substitutes informing them of the change in policy.

Recommendation

While some improvements have been instituted by the district, additional action by the administration is needed in many areas. These changes require increased supervisory review of payments and minor changes in procedures. Supervisors must be responsible for the accuracy of payments prior to signing off as the approving officers.

Auditee’s Response

Overtime and Other Pay - Although improvements were noted, the district will continue to review its use of overtime and how overtime is computed.

Salary Adjustments - Salaries of employees affected by CCBOE Resolution No. 3, adopted August 25, 1997 will be adjusted.

Termination of Health Benefits - Although the district has improved its timeliness with regard to the termination of employees from the health benefits roster after their eligibility has expired, the district will strive to maintain an accurate dental plan roster.
of employees and improve coordination between staff that enroll employees and staff that handle changes. A single point-of-contact will be assigned to verify that monthly bills submitted by the providers include only eligible employees and retirees.

**Satellite Lunch Aides** - The district will provide internal controls with regard to the processing of satellite lunch aides payroll. The functions of data input and check sorting will be separated.

**Travel and Gasoline Allowance** - The board will eliminate redundancy so that employees who receive gasoline will not receive the full mileage reimbursement. Any compensation in excess of the federal rate will be reported on the employee’s W-2.

**Garnishment of Wages** - Garnishment for salaried employees will be made from overtime and summer pay, as well as regular pay. The district will ensure compliance with all applicable laws.

**Substitute Teachers** - The district will increase supervisory review of payments and oversight in procedures. Supervisors will be made responsible for the accuracy of payments prior to signing off as the approving officers.