Asbury Park Board of Education

July 1, 2000 to November 30, 2001

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State Auditor
The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable John O. Bennett  
President of the Senate

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Asbury Park Board of Education for the period July 1, 2000 to November 30, 2001. If you would like a personal briefing, please call me at (609) 292-3700.

March 21, 2002
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Asbury Park Board of Education

Scope

We have completed an audit of the Asbury Park Board of Education General Fund expenditures and Computer Center Enterprise Fund for the period July 1, 2000 to November 30, 2001. The prime responsibility of the Asbury Park Board of Education is to provide a quality education to approximately 3700 kindergarten to twelfth grade students. Total General Fund expenditures during fiscal year 2001 were $49 million dollars.

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, policies of the board and the Department of Education Comparative Spending Guide. 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 reviewed financial trends and interviewed agency personnel to obtain an understanding of the district’s programs and the internal controls.

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

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

**Conclusions**

We found that the financial transactions included in our testing were related to the school district’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain matters concerning internal controls and matters of compliance with laws and regulations meriting management’s attention.

We also found that the district has resolved the significant issues noted in our prior report.
Asbury Park’s information technology center is not generating enough revenue to cover expenses.

Asbury Park’s board of education operates an information technology center (ITC) which provides computer services to the district and other clients located throughout the state. The ITC began providing these services in the mid 1980s and currently serves 75 clients. A fee is charged to user districts for services provided and initially these fees covered the cost of operations. However, during the last seven years the ITC’s cost of operations has exceeded the revenue by $840,000. During this time the fund’s equity balance has decreased from $690,000 to $11,000. In fiscal year 2000 the district contributed $20,000 in excess of fees for services to help cover the deficit. The continued operation of the ITC under current fiscal conditions will divert funds from the district while providing a subsidy for the other districts receiving services.

Recommendation

We recommend the board review the ITC to determine if its continued operation provides a benefit to the district. Such a review could focus on the need for the continued operation of the center and the proper level of funding.

Auditee’s Response

The board recently approved a modernization plan to allow the Information Technology Center (ITC) to purchase client server equipment. This equipment will allow the ITC to provide data processing services to clients in a Windows environment, which will increase processing speed and reliability. This new equipment along with new software will allow the ITC’s services to be comparable to other software vendors. Additionally, the new client server package would be easier to use and more attractive to potential clients. The ITC will restructure its pricing policy to reflect the improved services to clients. Upon successful implementation of the new hardware and software, the ITC will again be able to determine if streamlining of the operation is possible.
Management has the responsibility to develop internal controls which safeguard assets, ensure transactions are recorded properly and detect errors or irregularities.

Purchases are initiated at the school level. Once a purchase has been initiated, one employee is responsible for processing the purchase order, maintaining all documentation, and preparing payment requests. This same employee is also able to prepare manual checks. This lack of segregation of duties was noted in the diagnostic assessment of the district’s business prepared by an independent consultant. Adequate segregation of duties is an important internal control. Review of this employee’s work has been minimal due to instability in the business administrator position. Four individuals served in the capacity of business administrator during our audit period.

The district is not maintaining adequate documentation to support expenditures. No one reviews documentation before payments are processed. Documentation for 16 of 108 transactions tested was either missing or insufficient.

The payroll unit consists of one individual. This individual is responsible for processing the payroll, adding and deleting employees from the payroll system, preparing salary adjustments and overtime calculations, preparing quarterly reports, calculating leave time, and preparing any manual checks. This lack of segregation of duties was also noted in the independent consultant’s report.

The district’s payroll records list 105 individuals who terminated employment prior to January 1, 2001. While our tests gave no indication that any of these individuals received checks after leaving the district, this increases the risk of the unauthorized disbursements.

Recommendation

We recommend the board develop procedures to strengthen internal controls and provide an adequate system of checks and balances to safeguard assets.
Such procedures should provide for adequate segregation of duties and maintenance of adequate documentation and supervisory review to support transactions.

**Auditee’s Response**

In September 2001 an additional staff member was added to the business office. This staff member has been assigned the duties of overtime calculation, payroll data entry and preparation of quarterly reports. In addition this employee is also responsible for the reconciliation of the Payroll accounts.

Recently, the business office added an employee to assist in the processing of accounts payable. This employee is currently being trained to take over certain phases of the accounts payable process. In addition, all purchase orders are reviewed by the Superintendent and the assistant Business Administrator for property and compliance with laws and regulations.

Every year employees that did not have any payroll activity for at least a year are purged from the payroll system. This process takes place in March or April of each year. Employees remain inactive on the system for one year to allow for employment verification and tax information. This process will be reviewed and revised to ensure timely removal of terminated employees.