New Jersey State Legislature
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Office of the State Auditor

Pleasantville Board of Education

July 1, 1998 to June 30, 2000

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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 

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Executive Director 
Office of Legislative Services 

Enclosed is our report on the audit of the Pleasantville Board of Education for the period July 1, 1998 to June 30, 2000. 

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

September 26, 2000
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Pleasantville Board of Education

Scope

We have completed an audit of expenditures of the Pleasantville Board of Education for the period July 1, 1998 to June 30, 2000. The Prime responsibility of the Pleasantville Board of Education is to provide a quality education to approximately 3700 kindergarten to twelfth grade students. Annual expenditures totaled $50 million.

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 system. 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 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, 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 also read the budget, reviewed financial trends, and interviewed district personnel to obtain an understanding of the district’s programs and the internal control.

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.

Conclusion

We found the financial transactions included in our testing were related to the school district’s programs, were reasonable and were recorded properly in the accounting system. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention. We also noted that the school district has not resolved some of the significant issues noted in our prior report. Issues related to compensatory time and payroll controls have been updated in our current report.
Segregation of duties and written policies and procedures help assure management's objectives are achieved.

Payroll Controls

A strong system of internal controls provides for adequate segregation of duties between various payroll processing and distribution functions. It assures that policy and procedures are documented and followed. It also assures that payments are properly reviewed and documented. Our review of the payroll operations disclosed internal control weaknesses that, if corrected, could reduce the risk of errors and irregularities not being detected. Although we noted no significant discrepancies, those found do indicate a need for improvement.

The individual recently appointed to the key position in the payroll unit has no prior knowledge of the payroll functions, but performs all procedures of the payroll operation including the following:

- Entering employees onto the payroll system
- Entering and adjusting salaries into the system
- Calculating and processing overtime/extra payments
- Processing, printing and signing the payroll checks.

These duties should not all be performed by one employee. In addition, there are no formal written policies and procedures.

Supplemental Payroll Forms for extra duties are not reviewed for completeness and accuracy. Payments were made for overlapping hours within the same day. There is no time frame in which the supplemental payroll forms must be submitted. We found duplicate payments for the same day, submitted in two different pay periods.

The specific hours worked are not required on Home Instruction Payroll Forms. Teachers will provide
home instruction to multiple students in one day in different locations. Also, teachers who work this program routinely work other after-school activities. Without the reporting of specific hours worked, management cannot properly monitor and evaluate the reasonableness of the hours reported.

Two custodians currently receive annual stipends totaling $7,000 and $3,000. These stipends were incorrectly added to their annual salary base used to calculate their overtime rates and as the basis for pension. The stipends were for extra duties unrelated to their custodial functions and should not have been included in the annual salary amount. The incorrect application of the stipend caused an inflated overtime rate and pension base, which results in unnecessary costs to the district and the pension system.

**Recommendation**

We recommend the Pleasantville School District develop and implement formal written policies and procedures for the payroll function. These policies and procedures should provide for the adequate segregation of duties, thus providing reasonable assurance that errors and irregularities will be detected.

The board should assure that all time sheets are retained and properly filed, as well as review supplemental payroll forms to eliminate payments for overlapping and duplicate time. This procedure should establish and enforce a date in which all supplemental payroll forms for a pay period must be submitted.

A procedure should be developed that requires the reporting of the specific time and location for each home instruction visit. Management should then review the hours worked for reasonableness.

The district should also provide adequate training for payroll personnel.
**Auditee’s Response**

The business department for the Board of Education is currently developing a written policies and procedures manual for the department. The Board of Education is adding an additional position in the personnel department, which would be responsible for inputting all salaries into the accounting system. Additionally, all requests for supplemental pay are being more thoroughly reviewed and signed off on before payments are released. Stipends that were being received by custodians for additional work are now part of their annual salaries.

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**Compliance with the support staff agreement could reduce overtime costs.**

The district continues to make cash payments to maintenance/custodial employees for work on Saturdays and holidays. This condition was noted in our prior audit report. The agreement between the Pleasantville Supportive Staff Association and the Board of Education states that if work is required on these days, a compensatory day will be given instead of wages. By circumventing their own policies, the district has incurred unnecessary overtime payments.

**Recommendation**

We recommend that the Pleasantville School District comply with the agreement between the Pleasantville Supportive Staff Association and the board concerning payment for hours worked on Saturdays and holidays.

**Auditee’s Response**

The Board of Education is currently working on a new contract with the Pleasantville Support Staff Association and compensation for working on Saturdays or holiday is presently being discussed.
C
ost savings can be realized by timely cancellation of dental benefits upon retirement or termination.

Cancellation of Health Benefits

Coverage for dental benefits is discontinued upon an employee’s retirement or termination. A review of monthly bills for dental benefits found 30 former employees who received coverage after their eligibility had ended. Coverage continued past the eligibility period due to the failure of the district to notify the provider or to follow up after the initial notification was made to ensure timely removal from the benefit plan. Premiums paid by the district for those former employees totaled $7,000.

Recommendation

We recommend that the district seek reimbursement from the dental benefit provider. The district should also develop and implement procedures which require timely notification of a change in employment status and a review of subsequent bills to ensure timely removal.

Auditee’s Response

The Pleasantville Board of Education has received reimbursements from its healthcare carriers for overpayments made. The addition of an internal auditor in the business department will keep this from occurring in the future.

Superintendent Certification Compliance

The Pleasantville Board of Education hired an Interim Superintendent for a one-month period during calendar year 1999. Per NJSA Title 18A:17-17, “No person shall be appointed, or act as, or perform the duties of, superintendent or assistant superintendent of schools, unless he holds an appropriate certificate as prescribed by the state board.” The individual was hired and acted as the superintendent of schools without possessing a current valid certificate. Compensation for this period totaled approximately $13,000 and was paid as a consulting fee.
**Recommendation**
The board should comply with statutory requirements for all future staffing.

**Auditee’s Response**
The addition of another staff member in the Personnel Department will assist in more thoroughly looking into certification for all new staff members.

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**Board of Education Travel Costs**

Two members of the Pleasantville Board of Education who attended the National School Boards Convention were accompanied by family members. A total of six family members traveled with the board members. In February 2000, the district paid $1,500 for airfare for the family members and was to be reimbursed by the board members. As of June 30, 2000, the district had not received reimbursement from either member.

**Recommendation**
We recommend the district seek immediate reimbursement for the airfare costs. We also recommend the district amend its current travel policy to prohibit any future payments of this nature.

**Auditee’s Response**
The Board of Education had billed the Board Members for the costs associated with family members going to conferences. The Board will also change its polices and procedures that no costs will be forwarded for the families of Board Members.