Elizabeth Board of Education

July 1, 1999 to November 30, 2001

Richard L. Fair  
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 Elizabeth Board of Education for the period July 1, 1999 to November 30, 2001. If you would like a personal briefing, please call me at (609) 292-3700.

Thomas R. Meseroll  
Quality Assurance Administrator

June 19, 2002
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Elizabeth Board of Education

Scope

We have completed an audit of the Elizabeth Board of Education for the period July 1, 1999 to November 30, 2001. Our audit was limited to expenditures made by the board during our audit period. The prime responsibility of the Elizabeth Board of Education is to provide a quality education to 19,500 pre-kindergarten to twelfth grade students. Expenditures during fiscal year 2001 were approximately $245 million.

Objectives

The objectives of our audit were to determine whether expenditure transactions were related to the school district’s programs, were reasonable, and were properly recorded 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, 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 read the budget and board minutes, reviewed financial trends, and interviewed district personnel to obtain an understanding of the district programs and internal control. We also reviewed audit reports issued by the board’s certified public accounting firm.
Both statistical and nonstatistical sampling approaches were 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 randomly or judgmentally selected.

**Conclusions**

We found that the expenditure 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.
Leased Equipment

Elizabeth School District paid $828,000 and $786,000 in fiscal year 2001 and 2000, respectively, for copy equipment leases and maintenance services. Our review showed that the district’s monitoring of contracts is inadequate and may result in overpayments.

The district does not keep an accurate inventory of the equipment under lease and service contracts. Rather, the district relies on the accuracy of information provided from the vendor when making payments. Also, there is a lack of communication between the schools and the accounts payable department. Service contracts are usually cancelled by the schools without proper notification to the accounts payable department to discontinue payments.

The district used a lease and service equipment listing provided by the vendor for its 2002 budget. The listing included eighteen typewriters and memory writers for which the district cancelled the maintenance contract effective October 2000. It also included six duplicate items and nine other pieces of equipment that had been either removed or traded in earlier. This inaccurate listing was also used by the district to establish fiscal year 2002 purchase orders. As a result, eight out of nine removed and traded-in items have approved purchase orders and could be paid for if invoiced.

Recommendation

We recommend that the district keep updated records of leased equipment and monitor vendor contracts.

Auditee’s Response

The district did not pay for any machine or an invoice for a machine that was not in use. Further, the district has engaged the services of the Maximus firm to complete an updated asset inventory and tagging of all Board of Education property and
equipment, in accordance with GASB-34, including any small equipment items.

The district utilizes vendor provided information in conjunction with district information to assist in the preparation of the district’s proposed budget. The vendor information is compared with information from end user departments and adjusted accordingly before being entered into the computerized Budget Preparation System. The information in the Budget Preparation System often changes between the budget development period and the start of the school year. Frequently, schools may trade in machines over the summer months. Inasmuch as internal control procedures for Accounts Payable requires end user authorization in order to pay an invoice, there were no payments for service to machines detailed in the audit.

The Maximus fixed asset inventory is computerized and will be used to track the addition, deletion, and movement of assets, including equipment more effectively. The computerized inventory information will be available before the end of the 2001-2002 school year. District information will continue to be used in conjunction with the vendor listing to assure accuracy of information.