New Jersey State Legislature
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Plainfield Board of Education

July 1, 2002 to March 31, 2004

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Governor of New Jersey

The Honorable Richard J. Codey  
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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 Plainfield Board of Education for the period July 1, 2002 to March 31, 2004. If you would like a personal briefing, please call me at (609) 292-3700.

James Patterson  
Assistant State Auditor  
June 9, 2004
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Plainfield Board of Education

Scope

We have completed an audit of the Plainfield Board of Education for the period July 1, 2002 to March 31, 2004. Our audit included the financial activities accounted for in the district’s funds, except for those activities involving debt service, long-term debt, the early childhood education program and food service. The audit did not include the district’s revenues other than student activity funds.

The prime responsibility of the Plainfield Board of Education is to provide a quality education to approximately 7,700 pre-kindergarten to twelfth grade students. The district employs 1,250 employees. Total expenditures were $118.7 million in fiscal year 2003. Deposits for the student activity funds were $452,000 for fiscal year 2003.

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.

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 codes, and policies of the school district. 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 school district personnel to obtain an
understanding of the programs and the internal controls. In addition, we reviewed audit reports issued by the school district’s certified public accounting firm.

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 judgmental samples of transactions were selected for testing.

Conclusions

We found that the financial transactions included in our testing were related to the school district’s programs, were reasonable, and were properly recorded in the accounting system, except for the student activity funds’ revenue. The district does not have sufficient controls over the collection of these funds to ensure that all the revenue collected has been deposited and accounted for properly. In making this determination, we noted material internal control weaknesses over segregation of duties in procurement and accounting for fixed assets. We also noted other internal control weaknesses meriting management’s attention.
Procurement functions should be segregated.

Procurement Process

During fiscal year 2003, the district’s total procurement for goods and services approximated $59 million. A proper system of internal control provides checks and balances to ensure financial transactions are properly authorized and recorded. Inadequate internal controls, including a lack of segregation of duties, increases the risk that errors or misapplications of funds could occur and not be detected in the normal course of business.

Purchase request are initiated at the school level and sent to the district’s business office where any of the four accounts payable staff have the ability to process the request, prepare a purchase order and make payments to the vendor. The same employees also have access to the vendor data base file. They can establish and remove vendors from the data base and they have the authority to make changes to vendor names, addresses and identification numbers without management approval. They are also responsible for generating and distributing checks with the required approval signatures. Even though the current system contains serious internal control weaknesses, our test of payments to vendors did not indicate any improper payments.

Recommendation

We recommend that management should develop procurement controls that would prohibit employees from having system access to both purchasing and payment processing. In addition, any changes to the vendor data base should be monitored and reviewed by management to ensure its propriety.

Fixed assets should be properly safeguarded.

Fixed Assets

The district’s management is responsible for establishing a fixed asset inventory system which will safeguard assets from loss or unauthorized use,
and which will also help to fix responsibility for particular assets, obtain optimum insurance coverage, and identify surplus property. The district records indicate that it has 768 non-information technology (IT) items totaling approximately $8 million, and 1,782 IT items. The records contain no values of the IT items. Our test of fixed assets revealed that the records were inaccurate as to completeness and location. We sampled 15 non-IT items and failed to locate any of them. We also sampled 15 IT items and four items could not be located. The importance and quantity of computers utilized by all the district’s schools make proper record-keeping essential. However, the district does not maintain records of the exact location, warranty expiration date, and service history of the computers that are located at its schools. In addition, there are no annual physical counts of fixed assets. The lack of adequate fixed assets records coupled with the previously noted weakness in the purchasing system creates serious internal control weaknesses.

**Recommendation**

We recommend that the district ensure that all fixed asset items are included on its master inventory list. These records should identify the exact location of the equipment and include historical service records and warranty information. Also, an annual physical inventory should be taken to verify the existence of the items.

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**Student Activity Fund**

Student activity funds are used to account for funds derived from athletic events or other activities of pupil organizations and to account for the accumulation of money to pay for student group activities. Each of the thirteen schools in the district maintains a student activity account. During fiscal year 2003, deposits for these accounts totaled
$452,000. Our review of the fund activities disclosed that the fund was not in compliance with the state Department of Education guidelines.

When we attempted to review the propriety of receipts deposited, we were informed that there are no records that detail the date, sources and purpose of amounts deposited. Therefore, deposits cannot be traced to supporting documentation such as ticket sales, nor can the total amount of the revenues be substantiated. Also, except for the high school, pre-numbered cash receipts are not used to record collections.

We tested 27 withdrawals and identified 15 transactions that did not have the proper documentation to support the disbursement. At the high school the fund records from September 2002 to June 2003, were not available since they were discarded.

Cash receipts are not deposited timely, which increases the risk of loss or inappropriate use. We were informed that there had been a theft of at least $11,000 from the high school student activity account in Spring of 2002. However, we noted no improvement in the control’s over the fund subsequent to that occurrence.

Recommendation

We recommend that the district enforce compliance with Department of Education directive for the handling of receipts and disbursements for student activity accounts.

Receipts should be presented prior to reimbursement.

Tuition Reimbursements

The labor agreement entered into by the Board of Education of the City of Plainfield and the Plainfield Education Association covering the period 2002-2005 provided that employees are entitled to tuition
reimbursement for expenses incurred for approved courses. This agreement states all applicants will be required to submit transcripts and receipts for expenses incurred under this program. During fiscal year 2003, tuition payments totaled $254,000. Our audit revealed a lack of documented procedures to ensure adequate controls for tuition reimbursements. There were no receipts for expenses incurred by the employees prior to reimbursement for six sampled invoices totaling $48,500 paid during our audit period. However, we did note that transcripts were on file. The lack of adequate controls and documentation over this process could result in improper payments.

**Recommendation**

We recommend that the district develop written procedures requiring submission of receipts for expenses incurred prior to processing tuition reimbursements.

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**Cellular Phones**

The district disbursed $47,500 for cellular phone call charges during fiscal year 2003. Of the 58 cellular phones listed on monthly phone bills, 28 were charged $9,000 for minutes used in excess of the contracted plan. The district’s written policy governing the use of cellular phones states that staff members are responsible for charges in excess of allowable plan contracted minutes. We noted that the district did not collect these excess charges. Also, the district does not perform reviews of available plans when current contracts expire in order to determine whether a more cost effective plan exists.
Recommendation

The district should enforce its own policy for cellular phones and collect from staff members those charges in excess of the contracted plan. Also, the district should periodically review available plans in order to determine whether a more cost-effective plan exists.