

**MOONACHIE BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**MOONACHIE BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

Honorable President and Members
of the Board of Trustees
Moonachie Board of Education
Moonachie, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Moonachie Board of Education for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 22, 2016.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
November 22, 2016

**MOONACHIE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Chief School Administrator the activities of the Board of Education and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Sue Anne Mather	Business Administrator/Board Secretary	\$195,000

There is a Public Employees' Dishonesty Bond covering all other employees with multiple coverage of \$500,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Finding- Our audit of employee reimbursements revealed the following:

- One employee was reimbursed for items ordered on-line through Amazon; however, these items were not shipped to the school's address
- One employee was reimbursed numerous instances for custodial supply purchases and in addition this employee was reimbursed for clothing in excess of the approved maximum amount for clothing allowance reimbursement.

Recommendation- It is recommended that reimbursements to employees be limited, items ordered on-behalf of the school district be shipped to the school district's address and reimbursement for clothing allowance should not exceed the maximum reimbursement amount.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls tested were certified by the President of the Board and the Board Secretary/Business Administrator and approved by the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the General Fund.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

**MOONACHIE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Travel

The district has adopted a policy regulating District travel in compliance with N.J.S.A. 18A:11.12.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in good condition.

Acknowledgement of the Board's receipt of the Board Secretary monthly financial reports was included in the minutes.

Finding – One budgetary line items account was over-expended. This was caused by an audit adjustment; therefore no recommendation warranted.

Finding – The intergovernmental accounts receivable for the last two state aid payments, extraordinary aid and non-public transportation were not recorded correctly on District's financial records at June 30th. In addition there was an invalid tuition accounts receivable at year end. The financial records have been updated to accurately reflect these receivables at June 30th.

Recommendation – Internal controls be enhanced over financial reporting to ensure the Districts Intergovernmental accounts receivable balances for state aid awards and tuition revenue are properly reported in the District's financial records.

Finding- The District adopted two resolutions appropriating funds from the Capital Reserve and the Maintenance Reserve to fund a paving project. However, the funds were never appropriated in the District's General Fund budget; the project was expended in the General Fund budget without utilizing the funds from either of these Reserves.

Recommendation- It is recommended that the District rescind the resolutions appropriating funds from the Capital Reserve and the Maintenance Reserve in the official minutes of the District.

Finding- The District's audited per pupil legal costs for pre-audit year 6/30/15 exceeded 130% of the audited Statewide average for year ending 6/30/15 per the 2016 Taxpayer's Guide to Education Spending. Documentation of cost containment procedures or evidence that the implementation of those procedures would not result in a Reduction of legal costs was not available for our review.

Recommendation- It is recommended that the District either implement cost containment procedures or provide evidence that the implementation of those procedures would not result in a reduction of legal costs.

Bids received are summarized in the minutes.

The prescribed contracted order system was followed.

**MOONACHIE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, II and Title III of the Elementary and Secondary Education Act, as amended.

Our examination of the E.S.E.A./NCLB funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 located in the CAFR.

Our audit of the Federal and State funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for District employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:39-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent). The District has appointed Sue Anne Mather as a Qualified Purchasing Agent. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Board of Education may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Board has designated the Business Administrator as the qualified purchasing agent.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements and aggregate amounts for similar services/goods were made for the performance of work or purchased goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that the district purchased items through the use of State contracts.

**MOONACHIE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

School Food Service Fund

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct or indirect costs. No exceptions were noted.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were correctly maintained and properly applied in determining the cost of food supplies used.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education.

Cash receipts and bank records were reviewed for timely deposit.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

Student Body Activity Fund

The Board has a policy which clearly established the regulation of student activity funds.

All receipts were promptly deposited.

Cash disbursements had proper supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private school for the handicapped, low income and bilingual education. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

The District has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with one exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Follow Up On Prior Year Findings

There were no prior year findings.

**MOONACHIE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**FOOD SERVICE FUND
SCHEDULE OF MEAL/MILK COUNT ACTIVITY**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES**

NOT APPLICABLE

**MOONACHIE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLEMENT AS OF OCTOBER 15, 2015**

	2016-2017 Application for State School Aid						Sample for Verification				Private Schools for Disabled						
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 years	-		-		-		-		-		-						
Half Day Preschool - 4 years	14		14		-		14		14		-						
Half Day Kindergarten					-						-						
Full Day Kindergarten	26		26		-		26		26		-						
1st Grade	26		26		-		26		26		-						
2nd Grade	24		24		-		24		24		-						
3rd Grade	29		29		-		29		29		-						
4th Grade	30		30		-		30		30		-						
5th Grade	27		27		-		27		27		-						
6th Grade	30		30		-		30		30		-						
7th Grade	32		32		-		32		32		-						
8th Grade	21		21		-		21		21		-						
9th Grade					-						-						
10th Grade					-						-						
11th Grade					-						-						
12th Grade					-						-						
Subtotal	259	-	259	-	-	-	259	-	259	-	-	-	-	-	-	-	
Spec Ed - Elementary	28		28		-		28		28		-		1.0	1	1	-	
Spec Ed- Middle School	18		18		-		18		18		-		4.5	4	4	-	
Spec Ed - High School					-						-		-			-	
Subtotal	46	-	46	-	-	-	46	-	46	-	-	-	5.5	5	5	-	
Totals	305	-	305	-	-	-	305	-	305	-	-	-	5.5	5	5	-	
Percentage Error					<u>0.00%</u>						<u>0.00%</u>					<u>0.00%</u>	

**MOONACHIE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLEMENT AS OF OCTOBER 15, 2015**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-			-			-
Half Day Pre-School (4 Yrs)			-			-			-			-
Full Day Kindergarten	12	12	-	6	6	-	3	3	-	2	2	-
1st Grade	13	13	-	7	7	-	3	3	-	3	3	-
2nd Grade	9	9	-	5	5	-	1	1	-	1	1	-
3rd Grade	17	17	-	8	8	-	1	1	-	1	1	-
4th Grade	14	14	-	7	7	-	1	1	-	1	1	-
5th Grade	14	14	-	7	7	-	1	1	-	1	1	-
6th Grade	15	15	-	8	8	-	1	1	-	1	1	-
7th Grade	19	19	-	9	9	-	1	1	-	1	1	-
8th Grade	8	8	-	4	4	-	1	1	-	1	1	-
9th Grade			-			-			-			-
10th Grade			-			-			-			-
11th Grade			-			-			-			-
12th Grade			-			-			-			-
Subtotal	121	121	-	61	61	-	13	13	-	12	12	-
Spec Ed - Elementary	16	16	-	7	7	-			-			-
Spec Ed - Middle School	9	9	-	3	3	-			-			-
Spec Ed - High School	-	-	-	-	-	-			-			-
Subtotal	25	25	-	10	10	-	-	-	-	-	-	-
Totals	146	146	-	71	71	-	13	13	-	12	12	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	41	41	-	21	21	-
Regular - Spec.	24	24	-	15	14	1
Transported - Non-Public	-	-	-			-
Special Needs - Public	2	2	-	1	1	-
Totals	67	67	-	37	36	1
			<u>0.00%</u>		8	<u>2.70%</u>

**MOONACHIE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLEMENT AS OF OCTOBER 15, 2015**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten			-			-
Full Day Kindergarten			-			-
1st Grade	1	1	-	1	1	-
2nd Grade			-			-
3rd Grade			-			-
4th Grade			-			-
5th Grade			-			-
6th Grade			-			-
7th Grade			-			-
8th Grade	2	2	-	2	2	-
9th Grade			-			-
10th Grade			-			-
11th Grade			-			-
12th Grade			-			-
Subtotal	3	3	-	3	3	-
Spec Ed - Elementary			-			-
Spec Ed- Middle School			-			-
Spec Ed - High School			-			-
Subtotal	-	-	-	-	-	-
Totals	3	3	-	3	3	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**MOONACHIE BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

2015-2016 Total General Fund Expenditures		\$ 8,718,763
Decreased by:		
On-Behalf TPAF Pension & Social Security		592,983
Assets Acquired Under Capital Leases		<u>51,970</u>
Adjusted 2015-2016 General Fund Expenditures		8,073,810
2% of Adjusted 2015-2016 General Fund Expenditures		<u>161,476</u>
Enter Greater of 2% of Adjusted 2015-2016 General Fund Expenditures or \$250,000		250,000
Increased by:		
Allowable Adjustment		<u>26,374</u>
Maximum Unreserved/Undesignated Fund Balance		<u>\$ 276,374</u>
Total General Fund - Fund Balance at June 30, 2016		\$ 1,591,418
Decreased by:		
Restricted:		
Capital Reserve	\$ 428,978	
Maintenance Reserve	317,197	
Reserve Excess Surplus Designated Subsequent Year Expenditure	459,075	
Assigned:		
Unreserved-Designated for Subsequent Year's Expenditures	13,002	
Year End Encumbrances	<u>33,720</u>	
		<u>1,251,972</u>
Total Unassigned Fund Balance for Excess Surplus Calculation		<u>\$ 339,446</u>
Restricted Fund Balance - Excess Surplus		<u>\$ 63,072</u>
<u>Detail of Allowable Adjustments</u>		
Additional Nonpublic School Transportation Aid		\$ 3,828
Extraordinary Aid		<u>22,546</u>
		<u>\$ 26,374</u>
<u>Recapitulation of Excess Surplus as of June 30, 2016</u>		
Reserved Excess Surplus		\$ 63,072
Reserved Excess Surplus Designated for Subsequent Year's Expenditures		<u>459,075</u>
		<u>\$ 522,147</u>

**MOONACHIE BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Reimbursements to employees be limited, items ordered on-behalf of the school district be shipped to the school district's address and reimbursement for clothing allowance should not exceed the maximum reimbursement amount.
2. Internal controls be enhanced over financial reporting to ensure the Districts intergovernmental accounts receivable balances for state aid awards and tuition revenue are properly reported in the District's financial records.
3. The District rescind the resolutions appropriating funds from the Capital Reserve and the Maintenance Reserve in the official minutes of the District.
4. The District either implement cost containment procedures or provide evidence that the implementation of those procedures would not result in a reduction of legal costs.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

There were no prior year findings.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Paul J. Lerch
Certified Public Accountant
Public School Accountant