

**PARAMUS BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

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

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Honorable President and Members
of the Board of Education
Paramus Board of Education
Paramus, 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 Paramus Board of Education in the County of Bergen for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 2, 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 solely for the information and use 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.

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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 2, 2016

**PARAMUS 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 Assistant Business Administrator, the activities of the Board of Education, 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 Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Steven Cea	Business Administrator	\$250,000

There is a public employee dishonesty coverage for all other employees with coverage of \$100,000 per employee and \$400,000 per loss.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the adjustment in per pupil costs in accordance with N.J.A.C. 6A23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to signatures, certifications and proper itemization.

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, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

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

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Payrolls were delivered to the Secretary of the Board who then deposited with warrants in separate bank accounts for the net payroll and withholdings.

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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 23A: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 and single audit testing procedures. 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 errors were noted.

Board Secretary's Records

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

The prescribed contractual order system was followed.

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

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School 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 Titles I, II and III of the Elementary and Secondary Education Act.

Our examination of the E.S.E.A. 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 New Jersey Department of Education (NJDOE) completed a review of the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA) for the period July 1, 2014 through February 29, 2016. The NJDOE issued a Consolidated Monitoring Report dated May 16, 2016.

The report included certain detailed findings and recommendations and had no monetary findings. The District publicly reviewed and discussed the findings at a public meeting and adopted a resolution certifying that the findings were discussed and approving a corrective action plan. The findings of the report and the Board's corrective action is posted on the District's website.

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

Financial Planning, Accounting and Reporting (Continued)

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 examination 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.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

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 Board Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," 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 purchases were made through the use of State contracts.

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

School Food Service

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 and indirect costs. No exceptions were noted.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal and milk count records and eligibility applications were reviewed on a test-check basis. The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Cash receipts and bank records were reviewed for timely deposit.

Applications for free and reduced price meals and free milks were reviewed for completeness and accuracy. The number of free and reduced price meals and free milks claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$50,000. The operating results provision has been met.

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

The cash disbursements records reflected expenditures for program related goods and services. The District's food service management company is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

The Food Service operations are managed by an outside food service vendor.

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

Student Body Activities

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

All receipts were promptly deposited.

All cash disbursements tested had proper supporting documentation.

An Administrative Review (AR) of the Paramus High School lunch program was undertaken on April 13, 2016 by the New Jersey Department of Agriculture. An exit conference was held and an "Administrative Review Summary Report" was issued on April 14, 2016 which included corrective action.

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

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (ASSA) for on-roll, private schools for the disabled, related services, low income and bilingual. 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 with immaterial exceptions. The information that was included on the workpapers was verified with an immaterial exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District did maintain 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 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with exceptions. 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.

Finding – Our audit of the DRTRS revealed the following:

- Thirty one (31) special education public school students were incorrectly reported as regular public school students.
- Nine (9) regular early childhood center students were incorrectly reported as special education students with transportation needs.
- One (1) special education student was declassified and should have been reported as a regular education student.
- Two (2) IEP's for special education students with special needs did not indicate transportation as a related service.

Recommendation – Internal controls over DRTRS reporting be reviewed and enhanced.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the General Fund or from the Capital Reserve Account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

Suggestions to Management

- Old outstanding checks on the General Account and High School Activity bank reconciliations be reviewed and cleared of record.
- The prior year unexpended local grant and other liabilities in the Special Revenue Fund be reviewed and cleared of record.

**PARAMUS BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**FOOD SERVICE FUND
NET CASH RESOURCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**PARAMUS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	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 from Work- papers	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 3 yrs	22		22		-	-	22		22		-	-				
Half Day Preschool 4 yrs	24		24				24		24							
Full Day Preschool 4 yrs	22		22		-	-	22		22							
Full Day Kindergarten	231		231		-	-	63		63		-	-				
Grade 1	210		210		-	-	33		33		-	-				
Grade 2	242		242		-	-	39		39		-	-				
Grade 3	222		222		-	-	36		36		-	-				
Grade 4	213		213		-	-	59		59		-	-				
Grade 5	226		226		-	-	122		122		-	-				
Grade 6	276		276		-	-	131		131		-	-				
Grade 7	245		245		-	-	127		127		-	-				
Grade 8	264		264		-	-	140		140		-	-				
Grade 9	257	-	257	-	-	-	257		257		-	-				
Grade 10	235	1	235	1	-	-	235		235		-	-				
Grade 11	249	3	249	3	-	-	249		249		-	-				
Grade 12	272	3	272	3	-	-	272		272		-	-				
Adult School	-															
Subtotal	3,210	7	3,210	7	-	-	1,831	-	1,831	-	-	-	-	-	-	-
Special Ed - Elementary	271		271		-	-	55		55		-	-	4.0	4.0	4.0	-
Special Ed - Middle	164		164		-	-	73		73		-	-	4.0	4.0	4.0	-
Special Ed - High	225	7	225	7	-	-	225		225		-	-	15.5	12.5	12.5	-
Subtotal	660	7	660	7	-	-	353	-	353	-	-	-	23.5	20.5	20.5	-
Totals	3,870	14	3,870	14	-	-	2,184	-	2,184	-	-	-	23.5	20.5	20.5	-
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%

**PARAMUS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on	Reported on	Errors	Sample	Verified to	Sample	Reported on	Reported on	Errors	Sample	Verified to	Errors
	A.S.S.A as	Workpapers as					A.S.S.A as	Workpapers as				
Low	Low	Income	Income	Workpapers	and Register	Workpapers	Low Income	Income	Workpapers	and Register	Workpapers	and Register
Half Day Preschool 4 yrs												
Full Day Preschool 4 yrs												
Full Day Kindergarten	15.0	15.0	-	8	8	-	1	1	-	1	1	-
Grade 1	14.0	14.0	-	7	7	-	3	3	-	2	2	-
Grade 2	15.0	15.0	-	8	8	-	1	1	-	1	1	-
Grade 3	13.0	13.0	-	7	7	-	1	1	-	1	1	-
Grade 4	10.0	10.0	-	6	6	-	1	1	-	1	1	-
Grade 5	14.0	14.0	-	7	7	-			-			-
Grade 6	16.0	16.0	-	8	7	1	1	1	-	1	1	-
Grade 7	12.0	12.0	-	6	6	-	1	1	-	1	1	-
Grade 8	15.0	15.0	-	8	8	-			-			-
Grade 9	17.0	17.0	-	9	9	-			-			-
Grade 10	22.0	22.0	-	12	12	-			-			-
Grade 11	10.0	10.0	-	5	5	-	1	1	-	1	1	-
Grade 12	21.0	21.0	-	11	11	-			-			-
Subtotal	194.0	194.0	-	102	101	1	10	10	-	9	9	-
Special Ed - Elementary	27.0	27.0	-	15	15	-			-			-
Special Ed - Middle	15.0	15.0	-	8	8	-			-			-
Special Ed - High	26.5	26.5	-	13	13	-	1	1	-	1	1	-
Subtotal	68.5	68.5	-	36	36	-	1	1	-	1	1	-
Totals	262.5	262.5	-	138	137	1	11	11	-	10	10	-
Percentage Error			0.00%			0.72%			0.00%			0.00%

	Transportation					
	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by	DRTRS by				
DOE/County	District					
Reg. - Public Schools	900	900	-	185	154	31
Special Ed. - Public			-			-
Aid in Lieu	193	193	-	40	40	-
Transported - Non - Public	72	72	-	15	15	-
Special Needs - Public	116	116	-	24	12	12
	1,281	1,281	-	264	221	43
Percentage Error			0.00%			16.29%

**PARAMUS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Verified to Application and Register	Errors
Half Day Preschool 3 yrs						
Full Day Preschool 3 yrs						
Half Day Preschool 4 yrs						
Full Day Preschool 4 yrs						
Half Day Kindergarten						
Full Day Kindergarten	22	22	-	17	17	-
Grade 1	10	10	-	8	8	-
Grade 2	13	13	-	10	10	-
Grade 3	12	12	-	9	9	-
Grade 4	3	3	-	2	2	-
Grade 5	6	6	-	5	5	-
Grade 6	7	7	-	5	5	-
Grade 7	5	5	-	4	4	-
Grade 8	5	5	-	4	4	-
Grade 9	2	2	-	1	1	-
Grade 10	2	2	-	1	1	-
Grade 11	4	4	-	3	3	-
Grade 12	1	1	-	1	1	-
Adult School						
Subtotal	92	92	-	70	70	-
Special Ed - Elementary	3	3	-	2	2	-
Special Ed - Middle	1	1	-	1	1	-
Special Ed - High	1	1	-	1	1	-
Subtotal	5	5	-	4	4	-
Totals	97	97	-	74	74	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

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

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus

2015-2016 Total General Fund Expenditures per the CAFR	\$ 81,710,738
Increased by:	
Transfer from Capital Reserve to Capital Projects Fund	2,000,000
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(7,377,853)</u>
Adjusted 2015-2016 General Fund Expenditures	<u>\$ 76,332,885</u>
2% of Adjusted 2015-2016 General Fund Expenditures	<u>\$ 1,526,658</u>
Enter Greater of 2% of Adjusted 2015-2016 General Fund Expenditures or \$250,000	\$ 1,526,658
Allowable Adjustments	<u>525,935</u>
Maximum Unassigned Fund Balance	<u>\$ 2,052,593</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2016	\$ 21,368,867
Decreased by:	
Year End Encumbrances	450,098
Capital Reserve	15,072,176
Maintenance Reserve	1,600,000
Emergency Reserve	794,000
Excess Surplus - Designated for Subsequent Year's Expenditures	<u>800,000</u>
Total Unassigned Fund Balance	<u>\$ 2,652,593</u>

SECTION 3

Reserved Fund Balance - Excess Surplus	<u>\$ 600,000</u>
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Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 800,000
Reserved Excess Surplus	<u>600,000</u>
Total Excess Surplus	<u>\$ 1,400,000</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 486,210
Nonpublic Transportation Aid	<u>39,725</u>
	<u>\$ 525,935</u>

**PARAMUS BOARD OF EDUCATION
RECOMMENDATIONS**

I. **Administrative Practice and Procedures**

There are none.

II. **Financial Planning, Accounting and Reporting**

There are none.

III. **School Purchasing Program**

There are none.

IV. **School Food Service Program**

There are none.

V. **Student Body Activities**

There are none.

VI. **Application for State School**

There are none.

VII. **Pupil Transportation**

It is recommended that internal controls over DRTRS reporting be reviewed and enhanced.

VIII. **Facilities and Capital Assets**

There are none.

IX. **Miscellaneous**

There are none.

X. **Status of Prior Years' Audit Findings/Recommendations**

There were no recommendations included in the prior year audit.

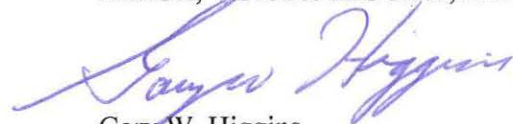
**PARAMUS BOARD OF EDUCATION
RECOMMENDATIONS**

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Gary W. Higgins
Public School Accountant
Certified Public Accountant