

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

**VERONA 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

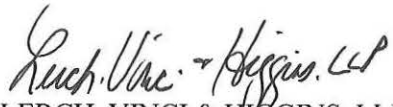
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLSI, CPA
ROBERT AMPONSAH, CPA

Honorable President and Members
of the Board of Trustees
Verona Board of Education
Verona, 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 Verona Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated December 1, 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 J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 1, 2016

**VERONA 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 Treasurer of School Moneys, 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 Comprehensive Annual Financial Report (CAFR).

Official Bonds

<u>Name</u>	<u>Position and Coverage Period</u>	<u>Amount</u>
Cheryl Nardino, CPA	Board Secretary/Business Administrator	\$100,000
Matthew Laracy	Treasurer of School Monies	250,000

There is a Public Employees Faithful Performance policy with School Alliance Insurance fund covering all other employees in the amount of \$500,000 per person.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed minor discrepancies with respect to signatures, certifications and supporting documentation.

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 payroll taxes were deposited in the Payroll Agency Account.

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

Salary withholdings tested were promptly remitted to the proper agencies, including employee health benefits contribution withholdings due to the General Fund.

The District filed the required certification (ECERT1) of compliance with requirements for income tax compensation of certain administrators with the NJ Department of Treasury by the statutory due date.

Employee Position Control Roster

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

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

Financial Planning, Accounting and Reporting (Continued)

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.

Finding – Our audit found that certain capital contracts that were classified as outstanding encumbrances should have been recorded as accounts payable.

Recommendation – The District review the open purchase orders prior to the year end closing and determine the proper classification of the orders as to a liability or reserve for encumbrance.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:2-2.2(g) 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, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3 as it relates to administrative coding classification.

Board Secretary's Records

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

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

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating account, payroll account and payroll agency account.

All cash receipts were promptly deposited.

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 of 1965 (E.S.E.A.) Improving America's Schools (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./N.C.L.B. 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 II of the Elementary and Secondary Education Act.

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

**VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 20156**

Financial Planning, Accounting and Reporting (Continued)

T.P.A.F. Reimbursement

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. Reimbursements to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports 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 Offices of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the State by the due date.

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 has designated the School 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 Board Attorney's opinion should be sought before a commitment is made.

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

The results of our examination indicated that no individual payments, contracts or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Finding – Our audit revealed that the District did not notify the State Comptroller of the award of a construction contract in excess of \$2M within 20 days of award.

Recommendation – The District notify the State Comptroller of all contracts awarded in excess of \$2M within 20 days of award.

Finding – Our audit revealed that a construction contract had change orders that exceeded the originally awarded contract amount by more than 20%, and was not properly advertised.

Recommendation – It is recommended that change orders that exceed 20% of the original amount be properly advertised in accordance with N.J.A.C. 5:30-11.9.

School Food Service

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts and milk count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The cash disbursements records reflected expenditures for program related goods and services. The District contracted with Pomptonian to manage the operations of the school food services and deposited funds in accordance with applicable State statutes. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

The number of milks claimed for reimbursement was verified against sales and milk count records. As part of the claims review process, the Edit Check Worksheet was completed.

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.

Exhibits reflecting Child Nutrition Program operations are included in the CAFR Exhibits B-4, 5 and 6.

Student Body Activity

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

Cash disbursements were supported by proper documentation.

**VERONA 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 (A.S.S.A.) for on-roll, private schools for the disabled, 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 noted. The information that was included on the workpapers was verified with exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding – Our audit of low income found that nine (9) students who were eligible for free or reduced were deemed denied and not reported.

Recommendation – Procedures be enhanced to ensure that students eligible for free milk are appropriately reported on the Application for State School Aid.

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 without 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.

**VERONA BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MILK COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**VERONA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
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	11		11					11		11							
Half Day Preschool - 4 years	15		15					15		15							
Full Day Kindergarten	120		120					17		17							
1st Grade	122		122					40		40							
2nd Grade	150		150					37		37							
3rd Grade	144		144					38		38							
4th Grade	152		152					37		37							
5th Grade	138		138					138		138							
6th Grade	146		146					146		146							
7th Grade	183		183					183		183							
8th Grade	172		172					172		172							
9th Grade	132		132					132		132							
10th Grade	144	1	144	1				143	1	143	1						
11th Grade	137		137					137		137							
12th Grade	130		130					130		130							
Subtotal	1,896	1	1,896	1	-	-		1,376	1	1,376	1	-	-	-	-	-	-
Spec Ed - Elementary	114		114					26		26			8	7	7		
Spec Ed - Middle School	63		63					14		14			10	9	9		
Spec Ed - High School	72	7	72	7				16		16			15	13	13		
Subtotal	249	7	249	7	-	-		56	-	56	-	-	33	29	29	-	-
Totals	2,145	8	2,145	8	-	-		1,432	1	1,432	1	-	-	33	29	29	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>						<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

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

	Low Income			Sample for Verification			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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool (3 Yrs)												
Half Day Preschool (4 Yrs)												
Full Day Kindergarten												
1st Grade						1 (1)					1.0 (1)	
2nd Grade	2	2		2	2							
3rd Grade					1	(1)						
4th Grade												
5th Grade	2	2		2	3	(1)						
6th Grade					1	(1)						
7th Grade	1	1		1	2	(1)						
8th Grade	1	1		1	1							
9th Grade	1	1		1	1		1.0	1.0		1.0	1.0	
10th Grade												
11th Grade	1	1		1	1							
12th Grade	3	3	-	3	4	(1)						-
Subtotal	11	11	-	11	17	(6)	1.0	1.0	-	1.0	2.0	(1)
Spec Ed - Elementary	2	2		2	4	(2)	1.0	1.0		1.0	1.0	
Spec Ed - Middle School	1	1		1	1	-						
Spec Ed - High School	2	2	-	2	3	(1)	1.0	1.0	-			-
Subtotal	5	5	-	5	8	(3)	2	2	-	1.0	1.0	-
Totals	16	16	-	16	25	(9)	3	3	-	2	3	(1)
Percentage Error		<u>0.00%</u>			<u>-56.25%</u>			<u>0.00%</u>			<u>-50.00%</u>	

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools			-		3	(3)
Regular - Spec.	5	5	-	4	1	3
Special Needs - Public	38	38	-	33	32	1
Totals	43	43	-	37	36	1
		<u>0.00%</u>			<u>2.70%</u>	

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

	LEP Not 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 Register	Sample Errors
Half Day Preschool (3 Yrs)						
Half Day Preschool (4 Yrs)						
Full Day Kindergarten	1.0	1.0		1.0	1.0	
1st Grade	2.0	2.0		1.0		1
2nd Grade	3.0	3.0		3.0	3.0	
3rd Grade						
4th Grade						
5th Grade	3.0	3.0		3.0	3.0	
6th Grade	2.0	2.0		2.0	2.0	
7th Grade						
8th Grade						
9th Grade						
10th Grade	1.0	1.0		1.0	1.0	
11th Grade	1.0	1.0		1.0	1.0	
12th Grade			-			-
Subtotal	13	13	-	12	11	1
Spec Ed - Elementary			-			-
Spec Ed - Middle School			-			-
Spec Ed - High School			-			-
Subtotal	-	-	-	-	-	-
Totals	13	13	-	12	11	1
Percentage Error			<u>0.00%</u>			<u>8.33%</u>

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

2015-2016 Total General Fund Expenditures per the CAFR		\$ 35,444,695
Decreased by:		
On-Behalf TPAF Pension & Social Security		3,886,671
Adjusted 2015-2016 General Fund Expenditures		\$ 31,558,024
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 631,160
Enter Greater of 2% of Adjusted 2015-2016 General Fund Expenditures or \$250,000		\$ 631,160
Increased by: Allowable Adjustments - Extraordinary Aid		56,582
Maximum Unassigned Fund Balance		\$ 687,742
Total General Fund - Fund Balance at June 30, 2016 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 1,545,181	
Decreased by:		
Capital Reserve	\$ 89,993	
Maintenance Reserve	325,117	
Excess Surplus-Designated for Subsequent Year's Expenditures	185,243	
Designated for Subsequent Year's Expenditures	36,086	
	636,439	
Total Unassigned Fund Balance		908,742
Excess Surplus		\$ 221,000
<u>Recapitulation of Excess Surplus as of June 30, 2016</u>		
Excess Surplus-Designated for Subsequent Year's Budget		\$ 185,243
Excess Surplus		221,000
Total Excess Surplus		\$ 406,243

**VERONA BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that the District review the open purchase orders prior to the year end closing and determine the proper classification of the orders as to a liability or reserve for encumbrance.

III. School Purchasing Program

It is recommended that:

- * 1. The District notify the State Comptroller of all contracts awarded in excess of \$2M within 20 days of award.
- 2. Change orders that exceed 20% of the original amount be properly advertised in accordance with N.J.A.C. 5:30-11.9.

IV. School Food Services

There are none.

VI. Student Body Activities

There are none.

VII. Application for State School Aid

It is recommended that procedures be enhanced to ensure that students eligible for free milk are appropriately reported on the Application for State School Aid.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

In accordance with government auditing standards, we have reviewed the status of all prior year findings. Corrective action was taken on all prior year findings except the item denoted with an asterisk (*).

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



Gary J. Vinci
Public School Accountant
PSA Number CS00829