

**TOWN OF BOONTON SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**TOWN OF BOONTON SCHOOL DISTRICT
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members
of the Board of Education
Town of Boonton School District
Boonton, 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 Town of Boonton School District as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 1, 2017.

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.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP

Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 1, 2017

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Superintendent of Schools, 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 Exhibit J-20, "Schedule of Insurance", as presented in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Neves	Board Secretary/School Business Administrator	\$250,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Western Surety Company covering all other employees with multiple coverage of \$100,000.

Tuition Charges (N/A to charter schools)

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed minor discrepancies with respect to signature certification, proper itemization or supporting documentation. Due to the immaterial nature of these discrepancies, no audit recommendation is warranted.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings.

Finding – A transaction ledger, by deduction, is not being maintained for transactions in the payroll agency bank account.

Recommendation – A payroll deduction ledger be maintained and be reconciled to the payroll agency bank account on a monthly basis.

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 reserve 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 indicated that certain purchase orders outstanding at year end did not represent valid obligations of the District.

Recommendation – Outstanding purchase orders be reviewed at year end and be liquidated or otherwise be cancelled.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A: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:23-8.3.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's and Treasurer's Records

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

Finding – Our audit indicated that checks were disbursed in excess of the cash balance available.

Recommendation - Internal controls be enhanced to prevent the issuance of checks in excess of the available cash balance.

Finding – Our audit indicated that capital expenditures financed by a Lease Purchase were incurred prior to securing financing. **(CAFR Finding 2017-001)**

Recommendation – Capital lease expenditures be made only upon the availability of funds.

Finding – Our audit indicated that the monthly reports of the Treasurer and Board Secretary were not prepared and submitted to the Board for approval in a timely basis. **(CAFR Findings 2017-002 and 2017-006)**

Recommendation – The monthly reports of the Board Secretary and Treasurer of School Monies be prepared and submitted to the Board for approval in a timely manner.

Finding – Our audit indicated that the District's financial accounting and reporting system was not reconciled to the monthly Treasurer of School Monies report. **(CAFR Findings 2017-003 and 2017-007)**

Recommendation – The District's financial accounting and reporting system be reconciled to the Treasurer of School Monies report on a monthly basis.

Finding – Our audit indicated that a significant number of transfers occurred during the fiscal year between District bank accounts, including trust and agency fund bank accounts, resulting in material interfund balances being reported at year end. Furthermore, these transactions were not always recorded on the District's general ledger. **(CAFR Finding 2017-004)**

Recommendation – Interfund transfers be recorded on the District's general ledger and be liquidated prior to year end. Furthermore, the practice of making interfund loans for non-operating purposes be discontinued.

Finding – Our audit indicated that certain District bank accounts require only one (1) authorized check signature for the payment of claims.

Recommendation – Disbursements from District bank accounts for the payment of claims include two authorized check signatures.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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

The E.S.E.A./NCLB 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, as amended.

Our examination 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 Exhibit K-3 and Exhibit K-4 located in the Single Audit Section of 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.

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

The amount of the expenditure charged for the reimbursement to the State of New Jersey for 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 reviewed subsequent to the reimbursement and no exceptions were noted. The payment was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management.

School Purchasing Programs

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) on \$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.

If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 19761, 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 contract 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.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs (Continued)

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.

Finding - Our audit indicated that expenditures were made for façade repairs and improvements in excess of the bid threshold that were not approved by the Board. Furthermore, the invoice detail for services rendered exceeded the amount due to the vendor. (CAFR Finding 2017-005 and 2017-008).

Recommendation - In all instances, contracts in excess of the bid threshold be awarded by Board approval. Furthermore, the District review payments made to a vendor for façade improvements.

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.

School Food Service / Bridges to Learning Program

The school food service program was not selected as a major federal 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.

We also 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 Statement of Revenues, Expenses and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of good sold.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

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.

Finding – Our audit indicated that the Bridges to Learning Enterprise Fund ended the year in a deficit position of \$69,846.

Recommendation – A course of action be developed to eliminate the deficit in the Bridges to Learning Enterprise Fund.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Student Body Activity

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

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income and bilingual students. 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 exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding – Our audit indicated that student counts reported on the A.S.S.A. were not always in agreement with the supporting workpapers for students reported as on-roll, private schools for the disabled and low income. (CAFR Finding 2017-009)

Recommendation – Internal controls over the reporting of students on the A.S.S.A. be reviewed and enhanced to ensure that documentation is maintained to support the number of students reported in the respective categories.

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 2016-17 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 included a review of transportation related contracts and purchases.

Facilities and Capital Assets

Our procedures included a review of the District's capital assets and referendum project for consistency in the awarding of contracts for eligible facilities construction.

**TOWN OF BOONTON SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**TOWN OF BOONTON SCHOOL DISTRICT
FOOD SERVICE FUND
NET CASH RESOURCE SCHEDULE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**BOONTON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	2017-18 Application for State School Aid						Sample for Verification				Private Schools for Disabled						
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on		Sample		
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as		for		
	On Roll		On Roll		Full		On Roll		On Roll		Private		Verifi-		Sample		
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Sample	Errors	
Half Day Preschool - 3 years																	
Full Day Preschool - 3 years	8		8					8		8							
Half Day Preschool - 4 years																	
Full Day Preschool - 4 years	21		21					21		21							
Half Day Kindergarten								-		-							
Full Day Kindergarten	84		84					84		84							
1st Grade	81		81					81		81							
2nd Grade	64		64					64		64							
3rd Grade	78		78					78		78							
4th Grade	70		70					70		70							
5th Grade	55		55					55		55							
6th Grade	59		59					59		59							
7th Grade	74		74					74		74							
8th Grade	56		56					56		56							
9th Grade	129		128			1		128		128							
10th Grade	134		133			1		133		133							
11th Grade	112	3	111	3		1		111	3	111	3						
12th Grade	118	5	117	5		1	-	117	5	117	5	-	-				
Subtotal	1,143	8	1,139	8		4	-	1,139	8	1,139	8	-	-	-	-	-	-
Spec Ed - Elementary	91		71			20		71		71				2	2	2	
Spec Ed - Middle School	44		45			(1)		45		45				-	-		
Spec Ed - High School	112	9	112	9		-	-	112	9	112	9	-	-	5	10	9	1
Subtotal	247	9	228	9		19	-	228	9	228	9	-	-	7	12	11	1
Totals	1,390	17	1,367	17		23	-	1,367	17	1,367	17	-	-	7	12	11	1
Percentage Error						1.65%	0.00%					0.00%	0.00%				8.33%

**BOONTON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	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)												
Full Day Preschool (3 Yrs)												
Half Day Preschool (4 Yrs)												
Full Day Preschool (4 Yrs)												
Half Day Kindergarten												
Full Day Kindergarten	29	29		4	4		6	6		4	4	
1st Grade	26	26		4	4		4	4		3	3	
2nd Grade	20	20		3	3		3	3		2	2	
3rd Grade	27	27		4	4		5	5		4	3	1
4th Grade	23	23		3	3		1	1		1	1	
5th Grade	23	23		3	3		2	2		1	1	
6th Grade	18	18		3	3		3	3		2	2	
7th Grade	22	22		3	3		1	1		1		1
8th Grade	20	20		3	3							
9th Grade	28	28		4	4		1	1		1		1
10th Grade	34	34		5	5		1	1		1	1	
11th Grade	24	24		4	4		1	1		1		1
12th Grade	30	30	-	4	4	-	2	2	-	1	-	1
Subtotal	324	324	-	47	47	-	30	30	-	22	17	5
Spec Ed - Elementary	39	32	7	5	5		1	1		1	1	
Spec Ed - Middle School	23	23		3	3		1	1		1	1	
Spec Ed - High School	49	49	-	7	7	-	2	2	-	1	1	-
Subtotal	111	104	7	15	15	-	4	4	-	3	3	-
Totals	435	428	7	62	62	-	34	34	-	25	20	5
Percentage Error			<u>1.61%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>20.00%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	13	13		10	10	
Transported - Non-Public						
Regular - Spec.	11	11		9	9	
Special Needs - Public	19	19	-	15	15	-
Totals	43	43	-	34	34	-
		<u>0.00%</u>			<u>0.00%</u>	

**BOONTON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	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)						
Full Day Preschool (3 Yrs)						
Half Day Preschool (4 Yrs)						
Full Day Preschool (4 Yrs)						
Half Day Kindergarten						
Full Day Kindergarten	4	4		4	4	
1st Grade	2	2		2	2	
2nd Grade	3	3		3	3	
3rd Grade	1	1		1	1	
4th Grade	1	1		1	1	
5th Grade						
6th Grade						
7th Grade						
8th Grade	2	1	1	1	1	
9th Grade	1		1			
10th Grade	1	1		2	2	
11th Grade	2	2		2	2	
12th Grade	1	1	-	2	2	-
Subtotal	18	16	2	18	18	-
Spec Ed - Elementary						
Spec Ed - Middle School	1	1		1	1	
Spec Ed - High School	-	-	-	-	-	-
Subtotal	1	1	-	1	1	-
Totals	19	17	2	19	19	-
Percentage Error			<u>10.53%</u>			<u>0.00%</u>

**TOWN OF BOONTON SCHOOL DISTRICT
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2016-17 Total General Fund Expenditures per the CAFR (Exhibit C-1)	\$ 29,258,310	
Decreased by:		
Assets Acquired Under Capital Leases	(97,691)	
On-Behalf TPAF Pension & Social Security	<u>(3,092,611)</u>	
Adjusted 2016-17 General Fund Expenditures		<u>\$ 26,068,008</u>
2% of Adjustment 2016-17 General Fund Expenditures	\$ 521,360	
Increased by: Allowable Adjustment	<u>-</u>	
Maximum Unassigned Fund Balance		<u>\$ 521,360</u>
Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 216,977	
Decreased by:		
Year End Encumbrances	116,911	
Other Restricted Fund Balance - Capital Reserve	<u>730</u>	
Total Unassigned Fund Balance		<u>\$ 99,336</u>
Restricted Fund Balance - Excess Surplus		<u>\$ -</u>

TOWN OF BOONTON SCHOOL DISTRICT RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Internal controls be enhanced to prevent the issuance of checks in excess of the available cash balance.
2. A payroll deduction ledger be maintained and be reconciled to the payroll agency bank account on a monthly basis.
- * 3. Outstanding purchase orders be reviewed at year end and be liquidated or otherwise be cancelled.
4. Capital lease expenditures be made only upon the availability of funds.
- * 5. The monthly reports of the Board Secretary and Treasurer of School Monies be prepared and submitted to the Board for approval in a timely manner.
6. The District's financial accounting and reporting system be reconciled to the Treasurer of School Monies report on a monthly basis.
7. Interfund transfers be recorded on the District's general ledger and be liquidated prior to year end. Furthermore, the practice of making interfund loans for non-operating purposes be discontinued.
8. Disbursements from all District bank accounts require two authorized check signatures.

III. School Purchasing Program

It is recommended that in all instances, contracts in excess of the bid threshold be awarded by Board approval. Furthermore, the District review payments made to a vendor for façade improvements.

IV. School Food Services/Bridges to Learning Program

It is recommended that a course of action be developed to eliminate the deficit in the Bridges to Learning Enterprise Fund.

V. Student Body Activity

There are none.

**TOWN OF BOONTON SCHOOL DISTRICT
RECOMMENDATIONS**

VI. Application for State School Aid

It is recommended that internal controls over the reporting of students on the A.S.S.A. be reviewed and enhanced to ensure that documentation is maintained to support the number of students reported in the respective categories.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

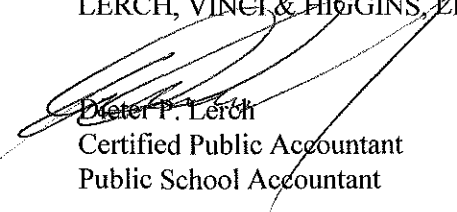
IX. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations. Corrective action was taken on all other than those denoted with an asterisk (*) above.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and would like to thank the Business Office, Superintendent's Office and their staff for the courtesies extended to us.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP


Dieter P. Lerch
Certified Public Accountant
Public School Accountant