

**VERONA BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2017**

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

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# LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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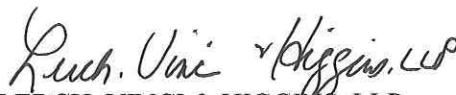
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Honorable President and Members  
of the Board of Trustees  
Verona Board of Education  
Verona, New Jersey

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, 2017, and have issued our report thereon dated December 4, 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.

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

  
Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
December 4, 2017

**VERONA BOARD OF EDUCATION  
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 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, 2017**

**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.

**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.

**Finding** – Checks issued from the food service and capital projects accounts contained only two authorized signatures. The current Board policy requires three authorized signatures.

**Recommendation** – Checks issued from the District's food service and capital projects accounts contain three signatures as required by N.J.S.A. 18A-19-1.

**Finding** – Our audit revealed the Capital Projects Fund has ended the fiscal year in a deficit position of \$14,623. During the 2016/107 school year, the School Development Authority reduced the Board's capital grants, which impacted the Fund's available resources.

**Recommendation** – Action be taken to eliminate the fund balance deficit in the Capital Projects Fund.

**Finding** – Our audit revealed the General Fund budget was modified by \$221,916 due to withdrawals from the District's maintenance reserve account, however, only \$112,420 of this appropriation was approved by the Board.

**Recommendation** – All modifications to the approved budget be submitted to the Board for their approval.

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.

**VERONA BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Financial Planning, Accounting and Reporting (Continued)**

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.

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.

**VERONA BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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.

**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.

**Finding** – Our audit revealed the food service fund has an operating loss of \$15,353, and ended the fiscal year with a deficit in the unrestricted net position account of \$1,495.

**Recommendation** – Appropriate action be taken to ensure adequate funds are available to sustain the operations of the Food Service Fund.

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.

**Finding** – A professional fundraising company was utilized to raise money for the boys' soccer program. The fundraising company received 30% of all money raised.

**Recommendation** – The Board Attorney's opinion be sought to determine whether professional fundraising companies are eligible to be utilized by local public schools.

**VERONA BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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. 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 information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

**Finding** – Our audit of low income found that students who were eligible for free or reduced milks/meals were not reported on the Application for State School Aid.

**Recommendation** – Procedures be enhanced to ensure that students eligible for free or reduced milks/meals 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 2016-2017 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.

**Facilities and Capital Assets**

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the capital reserve in the General Fund and awarding of contracts for eligible facilities construction projects.

**Finding** - Our audit of capital assets revealed current year additions and referendum project/ESIP additions have not been recorded in the capital asset inventory report. The financial statements have been adjusted to report the unrecorded additions.

**Recommendation** – All capital asset additions be properly reflected in the District's capital asset inventory.

**Follow-Up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.



**VERONA BOARD OF EDUCATION  
FOOD SERVICE FUND  
SCHEDULE OF MILK COUNT ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOT APPLICABLE**

**SCHEDULE OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**NOT APPLICABLE**

**VERONA BOARD OF EDUCATION  
APPLICATION FOR SCHOOL STATE AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 14, 2016**

	2017-2018 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	7	-	7	-	-	-	7	-	7	-	-	-				
Full Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Preschool - 4 years	10	-	10	-	-	-	10	-	10	-	-	-				
Full Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
Full Day Kindergarten	154	-	154	-	-	-	31	-	31	-	-	-				
1st Grade	133	-	133	-	-	-	44	-	44	-	-	-				
2nd Grade	113	-	113	-	-	-	30	-	30	-	-	-				
3rd Grade	145	-	145	-	-	-	51	-	51	-	-	-				
4th Grade	151	-	151	-	-	-	33	-	33	-	-	-				
5th Grade	148	-	148	-	-	-	148	-	148	-	-	-				
6th Grade	142	-	142	-	-	-	142	-	142	-	-	-				
7th Grade	149	-	149	-	-	-	149	-	149	-	-	-				
8th Grade	182	-	182	-	-	-	182	-	182	-	-	-				
9th Grade	164	-	164	-	-	-	164	-	164	-	-	-				
10th Grade	137	-	137	-	-	-	137	-	137	-	-	-				
11th Grade	143	1	143	1	-	-	143	1	143	1	-	-				
12th Grade	138	-	138	-	-	-	138	-	138	-	-	-				
<b>Subtotal</b>	<b>1,916</b>	<b>1</b>	<b>1,916</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1,409</b>	<b>1</b>	<b>1,409</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	114	-	114	-	-	-	26	-	26	-	-	-	6.0	5	5	-
Spec Ed - Middle School	63	-	63	-	-	-	14	-	14	-	-	-	8.0	7	7	-
Spec Ed - High School	72	5	72	5	-	-	16	5	16	5	-	-	17.5	15	15	-
<b>Subtotal</b>	<b>249</b>	<b>5</b>	<b>249</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>5</b>	<b>56</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>27</b>	<b>27</b>	<b>-</b>
<b>Totals</b>	<b>2,165</b>	<b>6</b>	<b>2,165</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>1,465</b>	<b>6</b>	<b>1,465</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>32</b>	<b>27</b>	<b>27</b>	<b>-</b>
<b>Percentage Error</b>					<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 SCHOOL STATE AID  
 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												
1st Grade												
2nd Grade												
3rd Grade		1	(1)	1	1							
4th Grade		3	(3)	3	3							
5th Grade		-	-	-	-							
6th Grade		1	(1)	1	1							
7th Grade		1	(1)	1	1							
8th Grade		1	(1)	1	1							
9th Grade		1	(1)	1	1							
10th Grade		1	(1)	1	1							
11th Grade		-	-	-	-							
12th Grade		-	-	-	-							
<b>Subtotal</b>	<u>-</u>	<u>9</u>	<u>(9)</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Spec Ed - Elementary		3	(3)	3	3	-	-	-	-	-	-	-
Spec Ed - Middle School		2	(2)	2	2	-	-	-	-	-	-	-
Spec Ed - High School		3	(3)	3	3	-	-	-	-	-	-	-
<b>Subtotal</b>	<u>-</u>	<u>8</u>	<u>(8)</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u>-</u>	<u>17</u>	<u>(17)</u>	<u>17</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>100.00%</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	-	-	-			
Transported - Non-Public	-	-	-			
Regular - Spec.	3	3	-			
Special Needs - Public	40	40	-			
<b>Totals</b>	<u>43</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
			<u>0.00%</u>			<u>0.00%</u>

**VERONA BOARD OF EDUCATION  
APPLICATION FOR SCHOOL STATE AID  
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	5.0	5.0	-	3.0	3.0	
1st Grade	2.0	2.0	-	2.0	2.0	
2nd Grade	1.0	1.0	-	1.0	1.0	
3rd Grade	2.0	2.0	-	2.0	2.0	
4th Grade	-	-	-	-	-	
5th Grade	2.0	2.0	-	2.0	2.0	
6th Grade	2.0	2.0	-	2.0	2.0	
7th Grade	2.0	2.0	-	2.0	2.0	
8th Grade	1.0	1.0	-	1.0	1.0	
9th Grade	1.0	1.0	-	1.0	1.0	
10th Grade	3.0	3.0	-	2.0	2.0	
11th Grade	-	-	-	-	-	
12th Grade	-	-	-	-	-	
<b>Subtotal</b>	<b>21</b>	<b>21</b>	<b>-</b>	<b>18</b>	<b>18</b>	<b>-</b>
Spec Ed - Elementary	3	3	-	2	2	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>
<b>Totals</b>	<b>24</b>	<b>24</b>	<b>-</b>	<b>20</b>	<b>20</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**VERONA BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2016-2017 Total General Fund Expenditures per the CAFR		\$, 37,122,501
Decreased by:		
On-Behalf TPAF Pension & Social Security		4,343,937
Adjusted 2016-2017 General Fund Expenditures		\$ 32,778,564
2% of Adjusted 2016-2017 General Fund Expenditures		\$ 655,571
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000		\$ 655,571
Increased by: Allowable Adjustments - Extraordinary Aid		118,976
Maximum Unassigned Fund Balance		\$ 774,547
Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	1,454,745
Decreased by:		
Nonspendable- Prepaid Expense	\$	73,711
Capital Reserve		89,993
Maintenance Reserve		242,916
Excess Surplus-Designated for Subsequent Year's Budget		221,000
Designated for Subsequent Year's Budget		31,841
		659,461
Total Unassigned Fund Balance		795,284
<b>Excess Surplus</b>		<b>\$ 20,737</b>
<b><u>Recapitulation of Excess Surplus as of June 30, 2017</u></b>		
Excess Surplus-Designated for Subsequent Year's Budget	\$	221,000
Excess Surplus		20,737
Total Excess Surplus	\$	241,737

**VERONA BOARD OF EDUCATION  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

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

It is recommended that:

1. Checks issued from the District's food service and capital projects accounts contain three signatures as required by N.J.S.A. 18A-19-1.
2. Action be taken to eliminate the accumulated fund balance deficit in the Capital Projects Fund.
3. All modifications to the approved budget be submitted to the Board for their approval.

**III. School Purchasing Program**

There are none.

**IV. School Food Services**

It is recommended that appropriate action be taken to ensure adequate funds are available to sustain operations of the Food Service Fund.

**VI. Student Body Activities**

It is recommended that the Board Attorney's opinion be sought to determine whether professional fundraising companies are eligible to be utilized by local public schools.

**VII. Application for State School Aid**

- \* It is recommended that procedures be enhanced to ensure that students eligible for free or reduced milk/meals are appropriately reported on the Application for State School Aid.

**VIII. Pupil Transportation**

There are none.

**IX. Facilities and Capital Assets**

It is recommended that all capital asset additions be properly reflected in the District's capital asset inventory.

**X. Miscellaneous**

There are none.

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

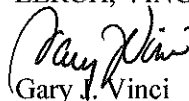
In accordance with government auditing standards, we have reviewed the status of all prior year findings. Corrective action was taken on all prior year findings except the item denoted with an asterisk (\*).

**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