

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
TABLE OF CONTENTS**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Report of Independent Auditors'	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	5
Food Service Fund	5
After School Child Care Program	5
Student Activity Funds	5
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	6
Miscellaneous	6
Schedule of Meal Count Activity – Not Applicable	7
Schedule of Net Cash Resources – Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgment	13



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. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S MANAGEMENT REPORT

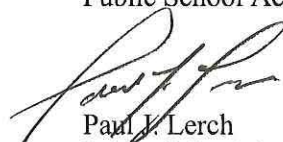
Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, New Jersey

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 East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 22, 2019.

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


Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
January 22, 2019

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 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 reported on Exhibit J-20 as contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Deborah Muscara	Board Secretary/School Business Administrator	\$250,000
Jon S. Rheinhardt Sr.	Treasurer of School Monies	\$225,000

There is Employees' Dishonesty with Faithful Performance coverage with NJSBAIG covering all other employees with multiple coverage of \$250,000.

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, certification or supporting documentation.

Payroll Account

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

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

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

Payrolls were delivered to the Treasurer of School Monies with a warrant made to his order for the full amount of each payroll.

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

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered. 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:23-2.2(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 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-2.4. As a result of the procedures performed, no errors were noted.

Travel

The District has adopted a policy regulating travel.

Board Secretary's Records

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

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

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

The prescribed contractual order system was followed.

Treasurer's Records

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

All cash receipts were promptly deposited.

The Treasurer's report was in agreement with the records of the Board Secretary.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 Fiduciary Fund.

Elementary and Secondary Education Act (E.S.E.A.)/as amended by Every Student Succeed Act (ESSA)

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

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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed 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 are contained within the Special Revenue Fund section of the CAFR. This section of the CAFR documents 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. Reimbursements to the State for Federal Salary Expenditures

None.

Non-Public State Aid

None.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A: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 \$19,000 for 2017-18. On July 16, 2012, the Board of Education appointed Deborah Muscara as a 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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No such violations were noted.

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

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

Food Service Fund

The District does not participate in the National School Lunch Program.

The financial transactions and statistical records of the school's Milk Program were maintained in satisfactory condition.

Expenditures were separately recorded as milk and other costs. Vendor invoices were reviewed and costs verified.

There was no inventory at June 30, 2018.

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's Milk Program.

After School Child Care Program

The records of the after school child care program were in good condition.

Student Activity Funds

The District had a policy and procedures in place for regulating the student activity funds.

Cash disbursements and receipts records were maintained in good condition.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private school for the handicapped, low-income and bilingual education. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with isolated exceptions. The information that was included on the workpapers was verified with isolated exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of 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 2017-18 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with isolated 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.

Facilities and Capital Assets

Capital asset records were updated for the additions and disposals of capital assets made throughout the year.

Miscellaneous

Testing for lead of all drinking water in educational facilities.

The School district adhered to all the requirements of N.J.A.C. 26.1.2 and 12.4 related to testing for lead or all drinking water in educational facilities and submitted the annual Statement of Assurance to the Department of Education on pursuant to N.J.A.C. 6A:26-12.4(g).

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MILK COUNTY ACTIVITY AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017

	2018-19 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	10		10		-	-	10		10	-	-	-					
Half Day Preschool - 4 years	10		10		-	-	10		10	-	-	-					
Full Day Kindergarten	99		99		-	-	99		99	-	-	-					
One	85		85		-	-	85		85	-	-	-					
Two	80		80		-	-	80		80	-	-	-					
Three	86		86		-	-	86		86	-	-	-					
Four	86		86		-	-	86		86	-	-	-					
Five	78		78		-	-	78		78	-	-	-					
Six	102		102		-	-	102		102	-	-	-					
Seven	80		80		-	-	80		82	-	(2)	-					
Eight	96		96		-	-	96		96	-	-	-					
Nine					-	-				-	-	-					
Ten	-	-	-	-	-	-	-	-	-	-	-	-					
Eleven	-	-	-	-	-	-	-	-	-	-	-	-					
Twelve	-	-	-	-	-	-	-	-	-	-	-	-					
Subtotal	812	-	812	-	-	-	812	-	814	-	(2)	-	-	-	-	-	
Spec Ed - Elementary	72		72		-	-	21		21	-	-	-	5	5	5	-	
Spec Ed- Middle School	49		49		-	-	9		9	-	-	-	3	2	2	-	
Spec Ed - High School					-	-				-	-	-				-	
Subtotal	121	-	121	-	-	-	30	-	30	-	-	-	8	7	7	-	
Totals	933	-	933	-	-	-	842	-	844	-	(2)	-	8	7	7	-	
Percentage Error					0.00%						-0.24%						0.00%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017

	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 Pre-School (3 Yrs)												
Half Day Pre-School (4 Yrs)												
Full Day Kindergarten	3	3	-	3	3	-	1	1	-	1	1	-
One	1	1	-	1	1	-						
Two	3	3	-	2	2	-						
Three	3	3	-	2	2	-	1	1	-	1	1	-
Four	1	1	-	1	1	-						
Five	3	3	-	3	3	-						
Six												
Seven	1	1	-	1	1	-						
Eight	3	3	-	3	3	-						
Nine												
Ten												
Eleven	-	-	-	-	-	-						
Twelve	-	-	-	-	-	-						
Subtotal	18	18	-	16	16	-	2	2	-	2	2	-
Spec Ed - Elementary	1	1	-	1	1	-	-	-	-	-	-	-
Spec Ed- Middle School	1	1	-			-	-	-	-	-	-	-
Spec Ed - High School	-	-	-			-	-	-	-	-	-	-
	2	2	-	1	1	-	-	-	-	-	-	-
Totals	20	20	-	17	17	-	2	2	-	2	2	-

Percentage Error 0.00% 0.00% 0.00% 0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	247	247	-	118	118	-
Regular - Sped.	83	83	-	40	40	-
Transported- Non- Public	10	10	-	5	5	-
Special Needs- Public	52	52	-	25	23	2
Totals	392	392	-	188	186	2

0.00% 1.06%

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017**

	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 Pre-School (3 Yrs)			-			-
Half Day Pre-School (4 Yrs)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	1	1	-			-
One	3	3	-	3	3	-
Two	1	1	-	1	1	-
Three	3	3	-	3	3	-
Four	-		-			-
Five	-		-			-
Six	2	2	-	1	1	-
Seven			-			-
Eight			-			-
Nine	-	-	-			-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	-	-	-	-	-
Subtotal	10	10	-	8	8	-
Spec Ed - Elementary	2	2	-	2	2	-
Spec Ed- Middle School			-			-
Spec Ed - High School	-	-	-	-	-	-
	2	2	-	2	2	-
Totals	12	12	-	10	10	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1A

2017-2018 Total General Fund Expenditures per the CAFR	\$	22,238,579
Decreased by:		
On-Behalf TPAF Pension & Social Security		2,591,686
 Adjusted 2017-2018 General Fund Expenditures	 \$	 <u>19,646,893</u>
 2% of Adjusted 2017-2018 General Fund Expenditures	 \$	 392,938
Increased by: Allowable Adjustment		252,169
 Maximum Unassigned Fund Balance		 \$ <u>645,107</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2018 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	3,654,187
Decreased by:		
Year End Encumbrances		106,998
Legally Restricted- Excess Surplus- Designated for Subsequent Year's Expenditures		145,362
Other Restricted Fund Balances		2,613,377
 Total Unassigned Fund Balance	 \$	 <u>788,450</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	\$	<u>143,343</u>
---	----	----------------

Recapitulation of Excess Surplus as of June 30, 2018

Excess Surplus- Designated for Subsequent Year's Expenditures	\$	145,362
Excess Surplus		143,343
 Total Excess Surplus	 \$	 <u>288,705</u>

Detail of Allowable Adjustments

Extraordinary Aid (Not Budgeted)	\$	228,099
Non Public Transportation Aid		24,070
	\$	<u>252,169</u>

Detail of Other Restricted Fund Balances

Capital Reserve	\$	1,588,377
Capital Reserve- Designated for Subsequent Year's Expenditures		625,000
Maintenance Reserve		248,451
Maintenance Reserve- Designated for Subsequent Year's Expenditures		151,549
	\$	<u>2,613,377</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RECOMMENDATIONS

I. **Administration Practices and Procedures**

There are none.

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

There are none.

III. **School Purchasing Program**

There are none.

IV. **After School Child Care Program**

There are none.

V. **Student Activity Fund**

There are none.

VI. **Application for State School Aid**

There are none.

VII. **Pupil Transportation**

There are none.

VIII. **Miscellaneous**

There are none.

IX. **Facilities and Capital Assets**

There are none.

X. **Status of Prior Year Audit Findings/Recommendations**

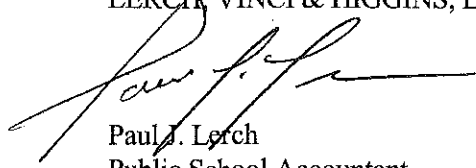
In accordance with government auditing standards, our procedures included a review of the prior year recommendation; however, there were no prior year recommendations.

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

A handwritten signature in black ink, appearing to read "Paul J. Lerch", written over a horizontal line.

Paul J. Lerch
Public School Accountant
Certified Public Accountant