

HAWORTH BOARD OF EDUCATION
COUNTY OF BERGEN
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

HAWORTH BOARD OF EDUCATION
COUNTY OF BERGEN
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
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January 18, 2019

The Honorable President and Members
of the Board of Education
Haworth Board of Education
County of Bergen, 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 financial statements of the Board of Education of the Haworth Borough School District in the County of Bergen for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 18, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents. This letter does not affect our report dated January 18, 2019, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments, recommendations and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Haworth Borough School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP

NISIVOCCIA LLP

A handwritten signature in black ink, appearing to read "John J. Mooney", is written over a horizontal line.

John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
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 Monies, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Paul Wolford	Business Administrator	\$ 200,000
Rebecca Overgaard	Treasurer of School Monies	\$ 200,000

Tuition Charges

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-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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 were approved by the Superintendent and certified by the President of the Board and the School Business Administrator, and the Chief School Administrator.

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

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

Finding:

The District does not currently maintain a detailed analysis of the balance in the Payroll Agency account at year end.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster (Cont'd)

Recommendation:

It is recommended that the District maintain a detailed analysis of the balance in the payroll agency account.

Management Response:

The District will ensure to maintain a detailed analysis of the balance in the payroll agency account.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A: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 testing procedures. In addition to randomly selecting as a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Finding

We have noted that there were certain salary line items which were over-expended during the year. The over-expended amounts were a result of the settlement of a contract which created a retroactive payroll for employees. The contract negotiations had been ongoing for a period longer than one year. The prior year records reflected an account payable for the retroactive pay, however the payable which was established in the year prior was cancelled. The effect of having the one account payable established and having to cancel the previous account payable is what caused the over-expenditure of these salary line items. The District does not over-expend line items as a course of business and due to the unique nature of events which caused the over-expenditures in the 2018 budget, we have deemed that no formal recommendation is warranted.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in 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 are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Finding:

During the course of our audit, it was found that the District was not submitting requests for reimbursements on a regular basis and as a result a large portion of the grants are still receivable at year end for IDEA Basic and IDEA Preschool. It was determined that all reimbursement requests were submitted subsequent to yearend, and that management will make a stronger effort in submitting the reimbursement requests in a timely manner.

T.P.A.F Reimbursement

Our audit procedures included a test of biweekly reimbursements 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 T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2018. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

\$25,000. 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.

b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school Districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law"

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 \$19,000 for 2017-18.

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 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. General compliance was noted.

The results of our examination indicated that 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.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

School Purchasing Programs (Cont'd)

School Food Service

The District does not participate in the Child Nutrition Program or receive related federal or state awards. The parent organization within the District provides lunches to students who wish to participate. There are no funds which pass through the school for school food service activities.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted under treasurer's records.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual and low income 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 minor exceptions. The information that was included on the workpapers was verified on a test basis without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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 2017-2018 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS_Eligibility Summary Report with one 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.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel for the year and to ensure that the maximum is not exceeded. The regulations also require that all travel be preapproved by the Board of Education and that the approval must be itemized by event, event total cost, and individuals attending.

Testing for Lead of All Drinking Water in Educational Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Facilities and Capital Assets

There were no active facilities projects funded with a SDA grant during the current fiscal year.

Management Suggestions:

Many school districts contract with service providers to perform functions such as the processing of payroll and provision of food service management services. In conjunction with these services, the service provider will engage an auditor to perform a SOC 1 (System and Organization Controls) engagement which results in a SOC 1 report. There are two different types of SOC 1 reports - a Type 1 and a Type 2 report. Both report on the fairness of the presentation of management's description of the service organization's system and the design of the controls to achieve the related control objectives. The Type 1 report is through a specific period. The Type 2 report also reviews the operating effectiveness of the controls included in the description throughout a specified period. Included in the Type 2 report will be the individual controls, what was tested and the results of the testing.

We suggest that the District review these SOC 1 reports to determine if there are any exceptions noted in the opinion in the Independent Auditors' Report. Additionally, for SOC 1 Type 2 reports we suggest that the District review the test results related to the individual control testing to determine if there were any exceptions noted. If exceptions are noted in the report the District should contact the service provider and inquire what steps the service provider is taking to address these exceptions.

Status of Prior Year's Findings/Recommendations

There were no prior year recommendations.

HAWORTH BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	2018-2019 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Kindergarten	49		49				49		49			
Grade One	31		31				31		31			
Grade Two	46		45		1		45		45			
Grade Three	43		43				43		43			
Grade Four	45		45				45		45			
Grade Five	45		44		1		44		44			
Grade Six	38		38				38		38			
Grade Seven	42		42				42		42			
Grade Eight	39		39				39		39			
Subtotal	378		376		2		376		376			
Special Education:												
Elementary	16		18		(2)		3		3			
Middle	25		25				4		4			
Subtotal	41		43		(2)		7		7			
Totals	419	-0-	419	-0-	-0-	-0-	383	-0-	383	-0-	-0-	-0-
Percentage Error					0.00%	0.00%					0.00%	0.00%

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2017

Private Schools for Disabled

Resident Low Income

NOT APPLICABLE

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

Resident LEP Low Income

NOT APPLICABLE

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	Resident LEP Not Low Income					
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Grade One	1	1		1	1	
Grade Two	2	2		1	1	
Grade Five	2	2		1	1	
Grade Seven	1	1				
Subtotal	<u>6</u>	<u>6</u>		<u>3</u>	<u>3</u>	
Special Education:						
Elementary School						
Middle School						
Subtotal						
Totals	<u>6</u>	<u>6</u>	<u>-0-</u>	<u>3</u>	<u>3</u>	<u>-0-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Transported - Non Public	3.0	3.0		2	2	
AIL - Non Public	14.0	14.0		4	4	
Special Needs - Public	7.0	7.0		2	2	
Special Needs - Private						
Totals	<u>24.0</u>	<u>24.0</u>	<u>-0-</u>	<u>8</u>	<u>8</u>	<u>-0-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	4.6	4.6
Average Mileage - Regular Excluding Grade PK Students	4.6	4.6
Average Mileage - Special Education with Special Needs	3.3	3.3

HAWORTH BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2018

Regular District

Section 1

2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 10,093,136 (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ -0-</u> (B1b)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 1,231,634</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ -0-</u> (B2b)	
Adjusted 2017-18 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 8,861,502</u> (B3)	
2% of Adjusted 2017-18 General Fund Expenditures [(B5) times .02]	<u>\$ 177,230</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 250,000</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 28,716</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 278,716</u> (M)

Section 2

Total General Fund - Fund Balances @ 6/30/18 (Per CAFR Budgetary Comparison Schedule/Statement)	<u>\$ 2,039,855</u> (C)	
Decreased by:		
Year-end Encumbrances	<u>\$ 32,644</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 100,000</u> (C3)	
Other Restricted Fund Balances	<u>\$ 1,402,468</u> (C4)	
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C5)	
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	<u>\$ 15,590</u> (C6)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 489,153</u> (U)

Section 3

Restricted Fund Balance-Excess Surplus [(U)-(M)] IF NEGATIVE, ENTER -0-	<u>\$ 210,437</u> (E)
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HAWORTH BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2018

Recapitulation of Excess Surplus as of June 30, 2018

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 100,000 (C3)
Restricted Excess Surplus [(E)]	<u>\$ 210,437 (E)</u>
Total [(C3)+(E)]	<u><u>\$ 310,437 (D)</u></u>

Detail of Allowable Adjustments

Impact Aid	\$ -0- (H)
Sale & Lease-back	\$ -0- (I)
Extraordinary Aid	\$ 24,656 (J1)
Additional Nonpublic School Transportation Aid	<u>\$ 4,060 (J2)</u>
Total Adjustments (H)+(I)+(J1)+(J2)+(J3)	<u><u>\$ 28,716 (K)</u></u>

Detail of Other Restricted Fund Balances

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ -0-
Sale/Lease-back Reserve	\$ -0-
Capital Reserve (N-1)	\$ 1,402,468
Maintenance Reserve (N-2)	\$ -0-
Tuition Reserve (N-3)	\$ -0-
Emergency Reserve (N-4)	\$ -0-
Other Restricted Fund Balance not Noted Above	<u>\$ -0-</u>
Total Other Restricted Fund Balance	<u><u>\$ 1,402,468 (C-4)</u></u>

HAWORTH BOARD OF EDUCATION
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
 - a. The District maintain a detailed analysis of the balance in the Payroll Agency account at year end.
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
None
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None
9. Status of Prior Year's Findings/Recommendations
There were no prior year recommendations.