

**LODI BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

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

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LERCH, VINCI & HIGGINS, LLP

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AUDITOR'S MANAGEMENT REPORT

Honorable President and
Members of the Board of Trustees
Lodi Board of Education
Lodi, 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 Lodi Board of Education as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated December 12, 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.

Respectfully submitted,

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

Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 12, 2019

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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 reported in the District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Robert R Brown	Board Secretary/School Business Administrator	\$ 400,000

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any significant discrepancies with respect to signatures, certifications or 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 fringe benefits were deposited in the Payroll Agency Account.

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

Salary withholdings were promptly remitted to the proper agencies, including health benefit contributions withheld and due to the General Fund.

The District maintains a personnel tracking and accounting (Position Control) system.

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.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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: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.

Board Secretary's Records

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

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

The prescribed contractual order system was followed. Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds 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 the Elementary and Secondary Education Act as amended and reauthorized.

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 CAFR.

Our examination 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.

Finding – Our audit indicated that IDEA carryover funds were not approved in the minutes.

Recommendation – IDEA carryover funds be approved in the official minutes.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Teachers Pension and Annuity Fund

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.

Finding – Our audit indicated that reimbursement of TPAF FICA was claimed for an employee who is not enrolled in the TPAF system.

Recommendation – Only those employees enrolled in the TPAF pension system be included in the semi-monthly reimbursement form filed with Department of Education.

The amount of the expenditure charged to the current year for all federal awards to 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 Office of Grants Management. The expenditure was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 18A:39-3 is currently \$19,000. The Board has designated the School Business Administrator as the Qualified Purchasing Agent for the District.

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.

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.

The results of my 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 for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

Finding – Our audit indicated that payments were made for advertising services without the use of competitive contracting.

Recommendation – Competitive contracting be utilized for contract awarded for advertising services.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

School Purchasing Programs (Continued)

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 purchases were made through the use of State contracts.

Finding – Our audit indicated that contracts awarded through the use of cooperative purchasing agreements, the cost of which exceeded the bid threshold, were not approved by the Board in the official minutes.

Recommendation – Contracts awarded through the use of cooperative purchasing agreements, the cost of which exceed the bid threshold, be approved by the Board and made part of the official minutes.

Food Service Fund

The financial transactions and statistical records of the school food services were received. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$15,000. The operating results provision has been met. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation.

Expenditures were separately recorded as food, labor and other costs. 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.

The cash disbursement 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.

Net cash resources did not exceed three months average expenditures.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications/or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program food and/or commodities were received and a single inventory was maintained on a first in, first-out basis. No exceptions were noted.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Food Service Fund (Continued)

The Statement of Revenues and Expenses and Changes in Net Position (CAFR Exhibit B-5) does separate program and non-program revenue and non-program cost of sales.

Exhibits reflecting Child Nutrition Program operations are included on Exhibits B-4, B-5 and B-6 of the district's CAFR.

Student Activity and Athletic Association Accounts

The Board has established policies and procedures regarding student activity funds.

Cash disbursements were supported by proper documentation.

Finding – Our audit of the high school student activity account indicated the deposits were not always made in a timely manner.

Recommendation – High school student activity account receipts be deposited in a timely manner.

Finding – Our audit of monthly activity ledgers indicated the following:

- The transaction ledger maintained for the high school account is not being reconciled with the bank account activity.
- The transaction ledger maintained for the middle school account is by club only and not totaled for reconciliation with the bank account activity.

Recommendation – Transaction ledgers for the High School and Middle School accounts be reconciled with the respective bank account activity on a monthly basis.

Application for State School Aid

Our audit procedures included a test information reported in the October 15, 2018 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 without exception. The information that was included on the workpapers was verified with exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

The District had adequate written procedures for the recording of student enrollment data.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2018-19 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 information on the DRTRS was verified 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. Based on our review, and except as previously noted, the district complied with proper bidding procedures and award of contracts.

Facilities and Capital Assets

The district maintains a capital assets ledger.

Miscellaneous

The school district complied with continuing disclosure agreements made in relation to prior year bond issuances.

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 relating to the testing for lead of all drinking water in educational facilities. The annual Statement of Assurance was submitted to the Department of Education pursuant to N.J.A.C. 6A:26-12.4 (g).

**LODI BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Not Applicable

**LODI BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Assets	
Cash and Cash Equivalents	\$ 169,213
Due from Other Governments	136,746
Current Liabilities	
Accounts Payable	(8,212)
Net Cash Resources	<u>\$ 297,747</u>
<u>Adjusted Total Operating Expense:</u>	
Total Operating Expenses	\$ 1,363,031
Less Depreciation	<u>(17,164)</u>
Adjusted Total Operating Expense	<u>\$ 1,345,867</u>
<u>Average Monthly Operating Expense:</u>	<u>\$ 134,587</u>
<u>Three Times Monthly Average:</u>	<u>\$ 403,760</u>
Total Net Cash Resources	\$ 297,747
Three Times Monthly Average	<u>403,760</u>
Net	<u>\$ (106,013)</u>

**LODI BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018
SCHEDULE OF AUDITED ENROLLMENTS**

	2019-20 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 Registers 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 - 4yr	123		123					33		33						
Full Day Kindergarten	207		207		-	-		59		59		-	-			
One	204		204		-	-		44		44		-	-			
Two	186		186		-	-		24		24		-	-			
Three	204		204		-	-		50		50		-	-			
Four	204		204		-	-		58		58		-	-			
Five	207		207		-	-		31		31		-	-			
Six	209		209		-	-		209		209		-	-			
Seven	219		219		-	-		219		219		-	-			
Eight	210		210		-	-		210		210		-	-			
Nine	191	10	191	10	-	-		191	10	191	10	-	-			
Ten	196	4	196	4	-	-		196	4	196	4	-	-			
Eleven	200	2	200	2	-	-		200	2	200	2	-	-			
Twelve	182	1	182	1	-	-		182	1	182	1	-	-			
Subtotal	2,742	17	2,742	17	-	-	1,706	17	1,706	17	-	-	-	-	-	-
Special Ed - Elementary	97		97		-	-	26		26		-	-	2	2	2	-
Special Ed - Middle School	82		82		-	-	82		82		-	-	1	1	1	-
Special Ed - High School	76	11	76	11	-	-	76	11	76	11	-	-	8	6	6	-
Subtotal	255	11	255	11	-	-	184	11	184	11	-	-	11	9	9	-
Res. Mental Health																
Juvenile Detention Center																
Totals	2,997	28	2,997	28	-	-	1,890	28	1,890	28	-	-	11	9	9	-
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%

**LODI BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident 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 LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full Day Kindergarten	110.0	110.0	-	5.0	5.0	-	11.0	11.0	-	5.0	5.0	-
One	110.0	111.0	(1)	5.0	5.0	-	15.0	15.0	-	7.0	7.0	-
Two	94.0	95.0	(1)	4.0	4.0	-	13.0	13.0	-	6.0	6.0	-
Three	111.0	111.0	-	5.0	5.0	-	9.0	9.0	-	4.0	4.0	-
Four	124.0	124.0	-	6.0	6.0	-	9.0	9.0	-	4.0	4.0	-
Five	119.0	120.0	(1)	5.0	5.0	-	8.0	8.0	-	4.0	4.0	-
Six	123.0	123.0	-	6.0	6.0	-	6.0	6.0	-	3.0	3.0	-
Seven	119.0	119.0	-	5.0	5.0	-	4.0	4.0	-	2.0	2.0	-
Eight	136.0	137.0	(1)	6.0	6.0	-	7.0	7.0	-	4.0	4.0	-
Nine	91.5	91.5	-	4.0	4.0	-	6.0	6.0	-	3.0	3.0	-
Ten	107.0	107.0	-	5.0	5.0	-	5.0	5.0	-	2.0	2.0	-
Eleven	93.0	93.0	-	4.0	4.0	-	5.0	4.0	1	2.0	2.0	-
Twelve	84.0	93.0	(9)	3.0	3.0	-	5.0	5.0	-	2.0	2.0	-
Subtotal	1,421.5	1,434.5	(13)	63	63	-	103	102	1	48	48	-
Special Ed - Elementary	129.0	128.0	1	3.0	3.0	-	2.0	2.0	-	1.0	1.0	-
Special Ed - Middle	69.0	68.0	1	2.0	2.0	-	1.0	1.0	-	-	-	-
Special Ed - High	69.0	69.5	(1)	2.0	2.0	-	-	-	-	-	-	-
Subtotal	267.0	265.5	2	7.0	7.0	-	3.0	3.0	-	1.0	1.0	-
Res. Mental Health Juvenile Detention Center Totals	1,688.5	1,700.0	(12)	70.0	70.0	-	106.0	105.0	1.0	49.0	49.0	-
Percentage Error			-0.68%			0.00%			0.94%			0.00%

	Transportation					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	209.0	209.0	-	41.0	41.0	-
Reg -SpEd	59.5	59.5	-	12.0	12.0	-
Special Ed Spec	193.5	193.5	-	38.0	38.0	-
Totals	462.0	462.0	-	91.0	91.0	-
Percentage Error					0.00%	

**LODI BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten	11	10	1	7	7	-
One	11	11	-	7	7	-
Two	6	5	1	4	4	-
Three	4	3	1	2	2	-
Four	7	5	2	4	4	-
Five	6	6	-	4	4	-
Six	5	4	1	3	3	-
Seven	5	5	-	4	4	-
Eight	4	3	1	2	2	-
Nine	2	2	-	1	1	-
Ten	4	4	-	3	3	-
Eleven	3	2	1	1	1	-
Twelve	9	9	-	6	6	-
Subtotal	<u>77</u>	<u>69</u>	<u>8</u>	<u>48</u>	<u>48</u>	<u>-</u>
Special Ed - Elementary	2	1	1	1	1	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Res. Mental Health	-	-	-	-	-	-
Juvenile Detention Center	-	-	-	-	-	-
Totals	<u>79</u>	<u>70</u>	<u>9</u>	<u>49</u>	<u>49</u>	<u>-</u>
Percentage Error			<u>11.39%</u>			<u>0.00%</u>

**LODI BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2018-2019 Total General Fund Budgetary Expenditures		\$ 66,758,398
Increased by:		
Transfer to Special Revenue Fund - Preschool Education		134,187
		66,892,585
Decreased by:		
On-Behalf TPAF Pension and Social Security		(7,057,657)
Adjusted 2018-2019 General Fund Expenditures		\$ 59,834,928
2% of Adjusted 2018-2019 General Fund Expenditures		\$ 1,196,699
Increased by Allowable Adjustments		346,795
Maximum Unassigned Fund Balance		\$ 1,543,494
Total General Fund - Fund Balance at June 30, 2019		\$ 11,304,427
Decreased by:		
Encumbrances	\$ (2,125,917)	
Capital Reserve	(3,844,612)	
Emergency Reserve	(415,415)	
Excess Surplus Designated for Subsequent Years (2019/20) Budget	(1,382,571)	
Assigned, Designated for Subsequent Years (2019/20) Budget	(456,189)	
		(8,224,704)
Total Unreserved, Undesignated Fund Balance		3,079,723
Restricted Fund Balance - Excess Surplus		\$ 1,536,229
Excess Surplus as of June 30, 2019		
Excess Surplus Designated for Subsequent Year's Budget		\$ 1,382,571
Excess Surplus		1,536,229
Total		\$ 2,918,800

**LODI BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. IDEA carryover funds be approved in the official minutes.
2. Only those employees enrolled in the TPAF pension system be included in the semi-monthly reimbursement form filed with Department of Education.

III. School Purchasing Program

It is recommended that:

1. Competitive contracting be utilized for contract awarded for advertising services.
2. Contracts awarded through the use of cooperative purchasing agreements, the cost of which exceed the bid threshold, be approved by the Board and made part of the official minutes.

IV. School Food Services

There are none.

V. Student Activity and Athletic Association Accounts

It is recommended that:

1. High school student activity account receipts be deposited in a timely manner.
2. Transaction ledgers for the High School and Middle School accounts be reconciled with the respective bank account activity on a monthly basis.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

**LODI BOARD OF EDUCATION
RECOMMENDATIONS**

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

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



Dieter P. Lerch
Certified Public Accountant
Public School Accountant