

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2019**

SCHOOL DISTRICT OF THE BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC, NEW JERSEY

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

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Prospect Park School District
County of Passaic, 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 Board of Education of the Prospect Park School District in the County of Passaic for the year ended June 30, 2019, and have issued our report thereon dated January 10, 2020.

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 report is intended for the information of the Prospect Park Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

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January 10, 2020

**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

GENERAL COMMENTS

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, Insurance Schedule contained in the District's CAFR.

Officials Bonds

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|------------------|--|---------------|
| Louis B. Turco | Business Administrator/Board Secretary | \$210,000 |
| Virginia Merlino | Treasurer of School Moneys | 210,000 |

There is a Public Employees' Dishonesty coverage with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$100,000.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated discrepancies with respect to signatures, certification or supporting documentation.

Finding 2019-001: There were instances in which invoices/supporting documentation was not available for review at the time of audit.

Recommendation: The district should ensure that all invoices/supporting documentation is available for review at time of audit.

Financial Planning, Accounting and Reporting, (continued)

Examination of Claims, (continued)

Finding 2019-002: There were instances in which purchase orders were missing the Superintendent's approval signature and the vendor's certification.

Recommendation: The district should establish internal controls to ensure that all required signatures are present on the vouchers at the time of purchase.

Payroll Account and Position Control Roster

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.

Finding 2019-003: Supporting documentation that all payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary was not available for review at the time of audit.

Recommendation: That supporting documentation for approved payrolls be maintained on file and made available upon request.

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

Payrolls were delivered to the Treasurer of School Moneys who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Finding 2019-004: 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 not available for review.

Recommendation: The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14.4 and submit the E-CERT1 if not yet submitted.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Finding 2019-005 (CAFR Finding 2019-004): Recalculation of employee health benefit contributions do not agree to amounts being deducted from employees pay.

Recommendation: The district should review all information input into the system for health benefit contribution calculations and make necessary adjustments.

Financial Planning, Accounting and Reporting, (continued)

Payroll Account and Position Control Roster, (continued)

Finding 2019-006: Reporting of employee compensation for income tax related purposes did not comply with federal regulations regarding the compensation which is required to be reported. There were instances in which W-4 forms could not be located for review for selected individuals.

Recommendation: The District should establish internal controls to ensure that compensation is properly recorded and reported. Per Publication 15, (Circular E), Employer's Tax Guide, copies of employees' income tax withholding allowance should be held for at least 4 years. All W-4 forms should be made available for review at the time of audit.

Finding 2019-007: There were various employment contracts that were not signed by the employee, deeming the employment contract as null and void.

Recommendation: The District should establish internal controls to ensure that all employment contracts are signed by the applicable employee, and by any required administrative individuals.

Position Control Roster

Finding 2019-008: An inquiry and subsequent review of the Position Control Roster found incomplete information contained therein. The Position Control Roster lacked account codes, salary information, and other mandatory details as prescribed by N.J.A.C. 6A:23A-6.8.

Recommendation: That the Position Control Roster be updated and maintained with the mandatory detailed information as prescribed by N.J.A.C. 6A:23A-6.8.

Reserve for Encumbrances, Liability for 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.

Finding 2019-009: A payment was made without proper authorization for an amount that exceeded the original approved purchase order amount.

Recommendation: The School Business Administrator should review the payments and purchase orders to ensure that all payments are properly authorized and consistent with N.J.A.C. 6A:23A-6.10(a).

Financial Planning, Accounting and Reporting, (continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of .19% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding 2019-010: Expenditures in the categories of BOE Other Purchased Services and Required Maintenance were not charged to the appropriate line item accounts in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2019 Edition and other available reference materials, such as the Budget Guidelines for the proper classification required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Board Secretary's Records

Our overview of the financial and accounting records maintained by the Board Secretary disclosed the following items:

Finding 2019-011: There are unexpended balances in the capital projects fund for projects which have been completed.

Recommendation: The district should cancel the remaining unexpended balances in the capital projects fund and transfer the funds to the debt service fund by resolution.

Finding 2019-012: There were instances in which goods and/or services were ordered prior to encumbrance.

Recommendation: That all goods and services be encumbered prior to being ordered.

Finding 2019-013: There were instances where invoices were not paid in a timely manner.

Recommendation: That more care be taken to ensure payments are made in a timely manner.

Financial Planning, Accounting and Reporting, (continued)

Treasurer's Records

The following item was noted during our review of the records of the Treasurer:

Finding 2019-014 (CAFR Finding 2019-003): The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation: The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Fixed Assets

Finding 2019-015: The capital asset records were not updated for the additions and disposals of capital assets made during the year.

Recommendation: The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

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 the projects under Titles I, II, III and IV of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questionable costs.

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Financial Planning, Accounting and Reporting, (continued)

T.P.A.F. Reimbursement 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 Office 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 Department of Education by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted."

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 Agency) 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.

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 Solicitor's opinion should be sought before a commitment is made.

School Purchasing Programs, (continued)

Contracts and Agreements Requiring Advertisement for Bids, (continued)

Finding 2019-016 (CAFR Finding 2019-002): The district purchased goods/services which exceeded 15 percent of the bid threshold without soliciting at least two competitive quotations.

Recommendation: When awarding contracts that are less than the bid threshold but at least 15 percent or more of that amount, the district should award the contract only after soliciting at least two competitive quotations in accordance with Public School Contracts Law N.J.S.A. 18A:18A.

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

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The financial transactions and statistical records of the School Food Service Fund were reviewed. 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 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. During our review of meals claimed, no exceptions were noted.

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 times the number of operating days, on a school by school basis. The free and reduced price meal was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

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 \$50,000. The operating results provision has been met. All vendor discounts, rebates and credits from the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

School Food Service, (continued)

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. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

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

U.S.D.A. Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Finding 2019-017: The school district did not provide the detailed revenue and expenditure information necessary to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Recommendation: The school district should establish a system to ensure that the USDA mandated Non-Program Food Revenue Tool is completed at least annually.

Finding 2019-018: The school district's net cash resources exceeded three months average expenditures.

Recommendation: The district should improve food quality or take other actions designed to improve the nonprofit school food service program.

Finding 2019-019: The district could not provide the Food Distribution Agreement.

Recommendation: That all agreements and applications be maintained and are available for review upon request.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

Student Body Activities

During our review of the Student Activity Funds, no exceptions were noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual and low-income. 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 with exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding 2019-020 (CAFR Finding 2019-001): The district did not maintain workpapers in the prescribed state format or their equivalent.

Recommendation: Detailed listings of all enrollment counts should be maintained to support the Application for State School Aid submission.

Finding 2019-021 (CAFR Finding 2019-001): The district had no written procedures for the proper maintenance and recording of student enrollment data.

Recommendations: We recommend that the district prepare written procedures detailing the process for the two required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2018-2019 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.

Finding 2019-022: The District Report of Transported Resident Students (DRTRS) Eligibility Summary Report for 2018-2019 could not be verified to a detailed listing of students reported.

Recommendation: The district board of education should adopt internal controls designed to ensure that detailed listings of all student statuses be maintained to support the DRTRS Eligibility Summary Report submitted.

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.

Finding 2019-023: A parent transportation contract was not signed for approval by the Executive County Superintendent of Schools.

Recommendation: All transportation contracts must be submitted to and signed by the Executive County Superintendent of Schools within 30 days of the award of the contract by the Board of Education or by September 1 of the school year in which the transportation is to be provided as per N.J.A.C. 6A:27-9.

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 the testing for lead of all drinking water in educational facilities.

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

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings, with the exception of the comments preceded with an “*”.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Steven D. Wielkocz

Steven D. Wielkocz, C.P.A.
Public School Accountant

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

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SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PROSPECT PARK SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018**

Year Ended June 30, 2019

| Enrollment Category | 2019-2020 Application for State School Aid | | | | | | Sample for Verification | | | | | | Private Schools for Disabled | | | | | |
|------------------------|--|--------|------------------------|--------|---------|--------|---------------------------------|--------|------------------------|--------|----------------------|--------|-------------------------------------|--------|-------------------------|-----------------|---------------|--|
| | Reported on ASOA | | Reported on Workpapers | | Errors | | Sample Selected from Workpapers | | Verified per Registers | | Errors per Registers | | Reported on ASOA as Private Schools | | Sample Verified | | Sample Errors | |
| | On Roll | Shared | On Roll | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Sample for Verification | Sample Verified | Sample Errors | |
| Half Day Preschool | 22 | | 22 | | 22 | | 22 | | 22 | | 22 | | 22 | | | | | |
| Full Day Preschool | 27 | | 27 | | 27 | | 27 | | 27 | | 27 | | 27 | | | | | |
| Full Day Kindergarten | 67 | | 67 | | 67 | | 67 | | 67 | | 67 | | 67 | | | | | |
| One | 67 | | 67 | | 67 | | 67 | | 67 | | 67 | | 67 | | | | | |
| Two | 90 | | 90 | | 90 | | 90 | | 90 | | 90 | | 90 | | | | | |
| Three | 80 | | 80 | | 80 | | 80 | | 80 | | 80 | | 80 | | | | | |
| Four | 73 | | 73 | | 73 | | 73 | | 73 | | 73 | | 73 | | | | | |
| Five | 92 | | 92 | | 92 | | 92 | | 92 | | 92 | | 92 | | | | | |
| Six | 82 | | 82 | | 82 | | 82 | | 82 | | 82 | | 82 | | | | | |
| Seven | 90 | | 90 | | 90 | | 90 | | 90 | | 90 | | 90 | | | | | |
| Eight | 80 | | 80 | | 80 | | 80 | | 80 | | 80 | | 80 | | | | | |
| Subtotal | 770 | | 770 | | 770 | | 770 | | 770 | | 770 | | 770 | | | | | |
| Special Ed. Elementary | 75 | | 75 | | 75 | | 75 | | 75 | | 75 | | 75 | | 8 | | | |
| Special Ed. Middle | 39 | | 39 | | 39 | | 39 | | 39 | | 39 | | 39 | | 2 | | | |
| Subtotal | 114 | | 114 | | 114 | | 114 | | 114 | | 114 | | 114 | | 10 | | | |
| Totals | 884 | | 884 | | 884 | | 884 | | 884 | | 884 | | 884 | | 10 | | | |
| Percentage Error | | | | | 100.00% | | | | | | | | 100.00% | | | | | |

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PROSPECT PARK
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2018**

Year ended June 30, 2019

| Enrollment category | 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 | Sample selected from workpapers | Verified to Application and Register | Reported on A.S.S.A as LEP low Income | Reported on Workpapers LEP low Income | Sample Selected from Workpapers | Verified to Test score and Register |
| Full Day Kindergarten | 45 | | 45 | | 3 | | 3 | |
| One | 44 | | 44 | | 3 | | 3 | |
| Two | 58 | | 58 | | 2 | | 2 | |
| Three | 62 | | 62 | | 8 | | 8 | |
| Four | 46 | | 46 | | 1 | | 1 | |
| Five | 62 | | 62 | | 2 | | 2 | |
| Six | 62 | | 62 | | 3 | | 3 | |
| Seven | 69 | | 69 | | 4 | | 4 | |
| Eight | 54 | | 54 | | 1 | | 1 | |
| Special Ed. Elementary | 53 | | 53 | | 2 | | 2 | |
| Special Ed. Middle School | 31 | | 31 | | 1 | | 1 | |
| | 586 | | 586 | | 30 | | 30 | |
| Percentage | | | 100.00% | | | | 100.00% | |

| Category | Transportation | | Re-calc. |
|-------------------------------------|---------------------------------|-------------------------------|--|
| | Reported on DRTRS by DOE/county | Reported on DRTRS by District | |
| Regular - Public Schools, col. 1 | 8.0 | 8 | Avg. Mileage - Regular Excluding Grade PK |
| Transported- Non-Public | 6.0 | 6 | Avg. Mileage - Regular Including Grade PK |
| Regular - Special Education, col. 4 | 18.0 | 18 | Avg. Mileage - Special Ed with Special Needs |
| Totals | 32.0 | 32 | |
| Percentage | | | |

**PROSPECT PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

| | | |
|--|--------------------------|-------|
| 2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$ <u>14,336,550</u> | (B) |
| Increased by: | | |
| Transfer from Capital Outlay to Capital Projects Fund | \$ _____ | (B1a) |
| Transfer from Capital Reserve to Debt Service Fund | \$ <u>250,000</u> | (B1b) |
| Transfer from General Fund to SRF for PreK-Regular | \$ _____ | (B1c) |
| Transfer from General Fund to SRF for PreK-Inclusion | \$ _____ | (B1d) |
| Decreased by: | | |
| On-Behalf TPAF Pension & Social Security | \$ <u>1,862,514</u> | (B2a) |
| Assets Acquired Under Capital Leases | \$ _____ | (B2b) |
| Adjusted 18-19 General Fund Expenditures [(B)+(B1's)-(B2's)] | \$ <u>12,724,036</u> | (B3) |
| 2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02] | \$ <u>254,481</u> | (B4) |
| Enter Greater of (B4) or \$250,000 | \$ <u>254,481</u> | (B5) |
| Increased by: Allowable Adjustment * | \$ <u>200,163</u> | (K) |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | \$ <u><u>454,644</u></u> | (M) |

SECTION 2

| | | |
|---|--------------------------|------|
| Total General Fund - Fund Balances @ 6-30-19 (Per CAFR Budgetary Comparison Schedule C-1)) | \$ <u>2,647,035</u> | (C) |
| Decreased by: | | |
| Year-end Encumbrances | \$ <u>283,289</u> | (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | \$ _____ | (C2) |
| Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ <u>350,760</u> | (C3) |
| Other Restricted Fund Balances**** | \$ <u>1,173,175</u> | (C4) |
| Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures | \$ <u>78,204</u> | (C5) |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] | \$ <u><u>761,607</u></u> | (U1) |

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 306,963 (E)

Recapitulation of Excess Surplus as of June 30, 2019

| | |
|--|------------------------|
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ <u>350,760</u> (C3) |
| Reserved Excess Surplus ***[(E)] | \$ <u>306,963</u> (E) |
| Total [(C3) + (E)] | \$ <u>657,723</u> (D) |

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

- (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
- (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
- (J1) Extraordinary Aid;
- (J2) Additional Nonpublic School Transportation Aid;
- (J3) Recognized current year School Bus Advertising Revenue; and
- (J4) Family Crisis Transportation Aid

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

| | |
|--|------------------------|
| Impact Aid | \$ _____ (H) |
| Sale & Lease-back | \$ _____ (I) |
| Extraordinary Aid | \$ <u>192,414</u> (J1) |
| Additional Nonpublic School Transportation Aid | \$ <u>7,749</u> (J2) |
| Current Year School Bus Advertising Revenue Recognized | \$ _____ (J3) |
| Family Crisis Transportation Aid | \$ _____ (J4) |
| Total Adjustments [(H)+ (I)+(J1)+(J2)+(J3)+(J4)] | \$ <u>200,163</u> (K) |

** This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2019 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

| | |
|---|--------------------------|
| Statutory restrictions: | |
| Approved unspent separate proposal | \$ _____ |
| Sale/Lease-back reserve | \$ _____ |
| Capital Reserve | \$ <u>698,061</u> |
| Maintenance Reserve | \$ <u>375,114</u> |
| Emergency Reserve | \$ <u>100,000</u> |
| Tuition Reserve | \$ _____ |
| School Bus Advertising 50% Fuel Offset Reserve - current year | \$ _____ |
| School Bus Advertising 50% Fuel Offset Reserve - prior year | \$ _____ |
| Impact Aid General Fund Reserve (Sections 8002 and 8003) | \$ _____ |
| Impact Aid Capital Fund Reserve (Sections 8007 and 8008) | \$ _____ |
| Other state/government mandated reserve | \$ _____ |
| [Other Restricted Fund Balance not noted above]**** | \$ _____ |
| Total Other Restricted Fund Balance | \$ <u>1,173,175</u> (C4) |

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Recommendations:

1. Administrative Practices and Reporting

None

2. Financial Planning, Accounting and Reporting

The District should ensure that all invoices/supporting documentation is available for review at time of audit.

The District should establish internal controls to ensure that all required signatures are present on the vouchers at the time of purchase.

That all supporting documentation for approved payrolls be maintained on file and made available upon request.

That supporting documentation for approved payrolls be maintained on file and made available upon request.

The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14.4 and submit the E-CERT1 if not yet submitted.

The District should review all information input into the system for health benefit contribution calculations and make necessary adjustments.

The District should establish internal controls to ensure that compensation is properly recorded and reported. Per Publication 15, (Circular E), Employer's Tax Guide, copies of employees' income tax withholding allowance should be held for at least 4 years. All W-4 forms should be made available for review at the time of audit.

The District should establish internal controls to ensure that all employment contracts are signed by the applicable employee, and by any required administrative individuals.

That the Position Control Roster be updated and maintained with the mandatory detailed information as prescribed by N.J.A.C. 6A:23A-6.8.

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Recommendations (continued):

2. Financial Planning, Accounting and Reporting (Continued)

The School Business Administrator should review the payments and purchase orders to ensure that all payments are properly authorized and consistent with N.J.A.C. 6A:23A-6.10(a).

The District should reference The *Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2019 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

The District should cancel the remaining unexpended balances in the Capital Projects Fund and transfer the funds to the Debt Service Fund by resolution.

That all goods and services be encumbered prior to being ordered.

That more care be taken to ensure payments are made in a timely manner.

The Treasurer should reconcile their cash records with the reconciled bank statements and the cash records of the Board Secretary.

The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

3. School Purchasing Programs

When awarding contracts that are less than the bid threshold but at least 15 percent or more of that amount, the district should award the contract only after soliciting at least two competitive quotations in accordance with Public School Contracts Law N.J.S.A. 18A:18A.

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Recommendations (continued):

4. School Food Service

The school district did not provide the detailed revenue and expenditure information necessary to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

The school district's net cash resources exceeded three months average expenditures.

That all agreements and applications be maintained and are available for review upon request.

5. Student Body Activities

None

6. Application for State School Aid

Detailed listings of all enrollment counts should be maintained to support the Application for State School Aid submission.

We recommend that the district prepare written procedures detailing the process for the two required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.

7. Pupil Transportation

The district board of education should adopt internal controls designed to ensure that detailed listings of all student statuses be maintained to support the DRTRS Eligibility Summary Report submitted.

All transportation contracts must be submitted to and signed by the Executive County Superintendent of Schools within 30 days of the award of the contract by the Board of Education or by September 1 of the school year in which the transportation is to be provided as per N.J.A.C. 6A:27-9.

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Recommendations (continued):

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was take on all prior year findings.