

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

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

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Honorable President and Members
of the Board of Education
Totowa Board of Education
County of Passaic, New Jersey

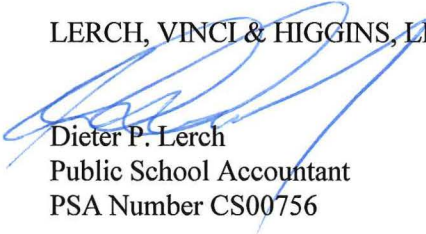
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Totowa Board of Education, County of Passaic, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 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 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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
November 12, 2019

**TOTOWA 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 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 detailed on the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Vincent Varcadipane	Board Secretary/School Business Administrator	\$15,000
Lisa Nash	Treasurer of School Monies	225,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Way Insurance covering all other employees with multiple coverage of \$2,500.

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 each of signatures, certification 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 approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

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

The District filed the required certification (ECERT1) of compliance with requirements for income tax on compensation of administrators with the New Jersey Department of Treasury by the March 15 due date.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

**TOTOWA 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: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 classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. 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 and Treasurer's Records

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

Acknowledgment 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.

Cash reconciliations for the general operating account, payroll account and payroll agency account were performed.

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

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, II, and III of the Elementary and Secondary Education Act as amended.

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 audit of the 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 contained herein represent a true statement of 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.

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

Financial Planning, Accounting and Reporting (Continued)

School Purchasing Programs

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) 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.

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds are 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 transportation contracts under N.J.S.A. 18A:39-3 is \$19,000 for 2018-19.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within 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. Our audit noted no violations occurred.

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.

Food Service Fund

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 School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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

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

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

Food Service Fund (Continued)

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed and meals claimed did agree with meal count records.

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced meal policy is uniformly administered throughout the School System. The required verification procedures for free applications was completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

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.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

The District had contracted with Pomptonian to operate and manage its food service program for 2017/18.

Provisions of the food service management company (FSMC) contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Net cash resources did not exceed three months average expenditures.

Student Activity Funds

The Board has a policy which clearly established the regulation of student activity funds.

All disbursements were supported by proper documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low income, related services and bilingual 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 with minor exceptions. 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.

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

Pupil Transportation

Our 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 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. The bid specifications for the purpose of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The school district submitted 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 including findings. Corrective action has been taken on all prior year findings.

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

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

**TOTOWA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	2019-2020 Application for State School Aid						Sample for Verification						On Roll - Special Education			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		Sample for Verifi- cation	Sample Verified	Sample Errors	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	13		11		2														
Full Day Preschool - 3 years	11		16		(5)														
Half Day Preschool - 4 years	15		13		2														
Full Day Preschool - 4 years	29		27		2														
Half Day Kindergarten																			
Full Day Kindergarten	68		68				68		68										
1st Grade	85		85				85		85										
2nd Grade	82		82				82		82										
3rd Grade	93		93				93		93										
4th Grade	79		79				79		79										
5th Grade	107		107				107		107										
6th Grade	106		106				106		106										
7th Grade	101		101				101		101										
8th Grade	69		69				69		69										
9th Grade																			
10th Grade																			
11th Grade																			
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	858	-	857	-	1	-	790	-	790	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	83		82		1		83		82	1		34.0	34.0		2	2	2		
Spec Ed - Middle School	36		36				36		36			15.0	15.0		2	2	2		
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	119	-	118	-	1	-	119	-	118	-	1	49.0	49.0	-	4	4	4	-	-
Totals	977	-	975	-	2	-	909	-	908	-	1	49.0	49.0	-	4	4	4	-	-
Percentage Error					<u><u>0.20%</u></u>					<u><u>0.11%</u></u>				<u><u>0.00%</u></u>					<u><u>0.00%</u></u>

**TOTOWA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	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 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 Pre-School (4 Yrs)												
Full Day Kindergarten	11.0	11.0		3.0	3.0							
1st Grade	17.0	17.0		4.0	4.0							
2nd Grade	15.0	15.0		4.0	4.0							
3rd Grade	27.0	27.0		6.0	6.0		1	1		1	1	
4th Grade	22.0	21.0	1	5.0	4.0	1						
5th Grade	29.0	29.0		7.0	7.0							
6th Grade	33.0	32.0	1	8.0	8.0							
7th Grade	26.0	25.0	1	6.0	6.0		2	2		2	2	
8th Grade	19.0	18.0	1	5.0	5.0							
9th Grade												
10th Grade												
11th Grade												
12th Grade												
Subtotal	<u>199.0</u>	<u>195.0</u>	<u>4</u>	<u>48</u>	<u>47</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Spec Ed - Elementary	24.0	24.0		6	6		1	1		1	1	
Spec Ed - Middle School	8.0	9.0	(1)	2	2							
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	<u>32.0</u>	<u>33.0</u>	<u>(1)</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Totals	<u>231.0</u>	<u>228.0</u>	<u>3</u>	<u>56</u>	<u>55</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>
Percentage Error			<u>1.30%</u>			<u>1.79%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	43.0	43.0		17.0	17.0	
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	6.0	6.0		2.0	2.0	
Special Needs - Public	19.0	19.0	-	7.0	7.0	-
Totals	<u>68.0</u>	<u>68.0</u>	<u>-</u>	<u>26.0</u>	<u>26.0</u>	<u>-</u>
			<u>0.00%</u>			<u>0.00%</u>

**TOTOWA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	Resident 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						
1st Grade	1	1		1	1	
2nd Grade						
3rd Grade	2	2		2	2	
4th Grade						
5th Grade						
6th Grade						
7th Grade						
8th Grade						
9th Grade						
10th Grade						
11th Grade						
12th Grade	-	-	-	-	-	-
Subtotal	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Spec Ed - Elementary						
Spec Ed - Middle School	1	1		1	1	
Spec Ed - High School	-	-	-	-	-	-
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Totals	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>-</u></u>	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>-</u></u>
Percentage Error		<u><u>0.00%</u></u>			<u><u>0.00%</u></u>	

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

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2018-2019 expenditures of \$100 million or less)

2018-2019 Total General Fund Expenditures per the CAFR	\$ 17,379,196
Decreased by:	
On-Behalf TPAF Pension & Social Security	(2,322,864)
Adjusted 2018-2019 General Fund Expenditures	<u>\$ 15,056,332</u>
2% of Adjusted 2018-2019 General Fund Expenditures	<u>\$ 301,127</u>
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000	\$ 301,127
Increased by:	
Allowable Adjustment*	<u>103,870</u>
Maximum Unassigned Fund Balance	<u>\$ 404,997</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2019	\$ 7,776,493
Decreased by:	
Year End Encumbrances	\$ 159,156
Capital Reserve	6,738
Excess Surplus - Designated for Subsequent Year	3,295,549
Assigned - Designated for Subsequent Year	<u>87,884</u>
	<u>3,549,327</u>
Total Unassigned Fund Balance	<u>\$ 4,227,166</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	\$ <u>3,822,169</u>
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Recapitulation of Excess Surplus

Restricted Excess Surplus - Designated for Subsequent Years	\$ 3,295,549
Restricted Excess Surplus	<u>3,822,169</u>
Total	<u>\$ 7,117,718</u>
* Detail of Allowable Adjustment	
Extraordinary Aid	\$ 86,180
Non Public Transportation Aid Reimbursement	<u>17,690</u>
	<u>\$ 103,870</u>

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

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

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

RECOMMENDATIONS

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on the prior year audit recommendation and corrective action was taken.

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
Public School Accountant
Certified Public Accountant