

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

**VERONA BOARD OF EDUCATION
TABLE OF CONTENTS**

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Report of Independent Auditor's	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4-5
School Food Service	5
Student Body Activity	6
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	6
Testing for Lead of all Drinking Water in Educational Facilities	6
Follow-Up on Prior Year Findings	6
Suggestions to Management	6
Schedule of Meal Count Activity – Not Applicable	7
Schedule of Net Cash Resources – Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgment	13



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

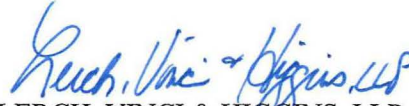
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA


Honorable President and Members
of the Board of Trustees
Verona Board of Education
Verona, 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 Verona Board of Education as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 4, 2019.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 4, 2019

**VERONA 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 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 the Insurance Schedule contained in the District's Comprehensive Annual Financial Report (CAFR).

Official Bonds

<u>Name</u>	<u>Position and Coverage Period</u>	<u>Amount</u>
Cheryl Nardino, CPA	Board Secretary/Business Administrator	\$100,000
Matthew Laracy	Treasurer of School Monies	275,000

There is a Public Employees Faithful Performance policy with School Alliance Insurance fund covering all other employees in the amount of \$500,000 per person.

Other

Finding – The District did not adopt a policy on procurement procedures for child nutrition programs as required by the United States Department of Agriculture.

Recommendation – The District adopt a policy regarding procurement procedures for child nutrition programs.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed minor discrepancies with respect to signatures, certifications and 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 payroll taxes were deposited in the Payroll Agency Account.

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

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

The District filed the required certification (ECERT1) of compliance with requirements for income tax compensation of certain administrators with the NJ Department of Treasury by the statutory due date.

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

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

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Finding – A payroll agency ledger by deduction was not maintained and reconciled with the monthly bank reconciliations.

Recommendation – A payroll agency ledger by deduction be currently maintained and reconciled with the bank reconciliation on a monthly basis.

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:2-2.2(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, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3 as it relates to administrative coding classification.

Finding – Our audit noted that architectural fees (\$84,000) relating to the referendum planning were charged to an incorrect budget account. An audit adjustment was made to reclassify the budget and related expenditures to the correct budget line item account. This appears to be an isolated exception, thus an audit recommendation is not warranted.

Board Secretary's Records

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

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

The monthly certification of the availability of line item appropriations and fund balances were also approved.

Finding (CAFR 2019-001) – The District's Debt Service Data Collection report used in the calculation of 2018-19 Debt Service Aid by the State did not reflect the correct Debt Service payments paid by the District. The School Business Administrator revised the report during the school year, thus an audit recommendation is not warranted.

The prescribed contractual system was followed.

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

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

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

All cash receipts were promptly deposited.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

Elementary and Secondary Education Act of 1965 (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 Titles I, II and IV of the Elementary and Secondary Education Act.

The financial exhibits contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

Teachers Pension and Annuity Fund (TPAF)

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 – The District did not charge the TPAF Reimbursement to the State for Federal salary expenditures to the ESEA Title I grant in the District's 2018-19 accounting records. The reimbursement was subsequently calculated and funds were paid to the State prior to the end of the 90 day grant liquidation period. The District also included IDEA Preschool aide's salaries in the calculation, thereby, overpaying the State by \$1,438. An audit adjustment was made to record the District's liability at June 30, 2019.

Recommendation – The District record the liability for TPAF Reimbursement to the State for Federal salary expenditures in the proper budget year. In addition, greater care be taken to ensure that only salaries for TPAF employees are included in the calculation.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the State by the due date.

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 N.J.S.A. 18A:39-3 is currently \$19,000. The Board has designated the School Business Administrator as the qualified purchasing agent.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board Attorney's opinion should be sought before a commitment is made.

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

Finding – Our audit noted that political contribution forms were not always obtained for vendors paid in excess of \$17,500.

Recommendation – Political Contribution Forms be obtained from all vendors paid in excess of \$17,500.

Finding – Our audit noted that professional service contracts awarded to various therapists, professional development/educational consultants during the year were not advertised in the official newspaper when awarded.

Recommendation – All professional service contract awards be advertised in the District's official newspaper when approved by the Board.

Finding – Our audit of expenditures noted that in several instances a purchase order was issued subsequent to the District receiving an invoice from the vendor.

Recommendation – Internal control procedures be reviewed to ensure that purchase orders are issued prior to the ordering of goods and/or services.

The results of our 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 bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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.

School Food Service

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

Cash receipts and bank records were reviewed for timely deposit.

The cash disbursements records reflected expenditures for program related goods and services. The District contracted with Pomptonian to manage the operations of the school food services and deposited funds in accordance with applicable State statutes. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

The number of milks claimed for reimbursement was verified against sales and milk count records. As part of the claims review process, the Edit Check Worksheet was completed.

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.

Exhibits reflecting Child Nutrition Program operations are included in the CAFR Exhibits B-4, 5 and 6.

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

Student Body Activity

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

Cash 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 (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 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 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.

Our procedures also included a review of transportation-related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the capital reserve in the General Fund and awarding of contracts for eligible facilities construction projects.

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all 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.

Suggestions to Management

It is suggested that:

- Old outstanding checks and adjustments included in the various monthly bank reconciliations be reviewed and cleared of record.
- Food Service and VSEA Enterprise Fund financial transactions be recorded in the District's accounting software system.

**VERONA BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MILK COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

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

	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 years	7		7					7		7							
Half Day Preschool - 4 years	8		8					8		8							
Full Day Kindergarten	146		146					39		39							
1st Grade	146		146					22		22							
2nd Grade	160		160					49		49							
3rd Grade	134		134					30		30							
4th Grade	109		109					24		24							
5th Grade	147		147					147		147							
6th Grade	146		146					146		146							
7th Grade	150		150					150		150							
8th Grade	135		135					135		135							
9th Grade	147		147					147		147							
10th Grade	165		165					165		165							
11th Grade	166		166					166		166							
12th Grade	140		140					140		140							
Subtotal	1,906	-	1,906	-	-	-	-	1,375	-	1,375	-	-	-	-	-	-	-
Spec Ed - Elementary	143		143		-	-		8		8			4	4	4		-
Spec Ed - Middle School	77		77		-	-		77		77			8	6	6		-
Spec Ed - High School	85	6	85	6	-	-		85	6	85	6		21	18	18		-
Subtotal	305	6	305	6	-	-	-	170	6	170	6	-	33	28	28	-	-
Totals	2,211	6	2,211	6	-	-	-	1,545	6	1,545	6	-	33.00	28	28	-	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>						<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

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

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool (3 Yrs)												
Half Day Preschool (4 Yrs)												
Full Day Kindergarten												
1st Grade												
2nd Grade		2		2	2							
3rd Grade												
4th Grade				1	1							
5th Grade		1		1								
6th Grade												
7th Grade												
8th Grade												
9th Grade		1		1	1							
10th Grade		1		1	1							
11th Grade												
12th Grade												
Subtotal	<u>5</u>	<u>5</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Spec Ed - Elementary		1		1	1							
Spec Ed - Middle School		2		2	2							
Spec Ed - High School												
Subtotal	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>8</u>	<u>8</u>	<u>-</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			N/A			N/A

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	1	1	-	1	1	-
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	3	3	-	3	3	-
Special Needs - Public	32	32	-	27	27	-
Totals	<u>36</u>	<u>36</u>	<u>-</u>	<u>31</u>	<u>31</u>	<u>-</u>
			<u>0.00%</u>			<u>0.00%</u>

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

	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
	Full Day Kindergarten	4	4		4	4
1st Grade	3	3		3	3	
2nd Grade	4	4		4	4	
3rd Grade	2	2		2	2	
4th Grade	1	1		1	1	
5th Grade	-	-		-	-	
6th Grade	-	-		-	-	
7th Grade	1	1		1	1	
8th Grade	1	1		1	1	
9th Grade	-	-		-	-	
10th Grade	-	-		-	-	
11th Grade	1	1		1	1	
12th Grade	-	-		-	-	
Subtotal	<u>17</u>	<u>17</u>	<u>-</u>	<u>17</u>	<u>17</u>	<u>-</u>
Spec Ed - Elementary	1	1		1	1	
Spec Ed - Middle School	-	-		-	-	
Spec Ed - High School	1	1		1	1	
Subtotal	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Totals	<u>19</u>	<u>19</u>	<u>-</u>	<u>19</u>	<u>19</u>	<u>-</u>
Percentage Error		<u>0.00%</u>			<u>0.00%</u>	

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

2018-2019 Total General Fund Budgetary Expenditures		\$ 40,282,184
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>5,733,912</u>
Adjusted 2018-2019 General Fund Expenditures		<u>\$ 34,548,272</u>
2% of Adjusted 2018-2019 General Fund Expenditures		<u>\$ 690,965</u>
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000		\$ 690,965
Allowable Adjustments - Extraordinary Aid		<u>209,052</u>
Maximum Unassigned Fund Balance		<u>\$ 900,017</u>
Total General Fund - Fund Balance (Budgetary Basis) at June 30, 2019	\$ 2,212,108	
Decreased by:		
Capital Reserve	\$ 570,381	
Maintenance Reserve	150,000	
Legally Restricted-Unexpended Additional Spending Proposal	280,980	
Encumbrances	70,945	
Designated for Subsequent Year's Budget	<u>119,785</u>	
		<u>1,192,091</u>
Total Unassigned Fund Balance		<u>1,020,017</u>
Excess Surplus		<u>\$ 120,000</u>
<u>Recapitulation of Excess Surplus as of June 30, 2019</u>		
Excess Surplus		<u>\$ 120,000</u>
Total Excess Surplus		<u>\$ 120,000</u>

**VERONA BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

It is recommended that the District adopt a policy regarding procurement procedures for child nutrition programs.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. A payroll agency ledger by deduction be currently maintained and reconciled with the bank reconciliation on a monthly basis.
2. The District record the liability for TPAF Reimbursement to the State for Federal salary expenditures in the proper budget year. In addition, greater care be taken to ensure that only salaries of TPAF employees are included in the calculation.

III. School Purchasing Program

It is recommended that:

- *
1. Political Contribution Forms be obtained for all vendors paid in the excess of \$17,500.
 2. All professional service contract awards be advertised in the District's official newspaper when approved by the Board.
 3. Internal control procedures be reviewed to ensure that purchase orders are issued prior to the ordering of goods and/or services.

IV. School Food Services

There are none.

VI. Student Body Activities

There are none.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

In accordance with government auditing standards, we have reviewed the status of all prior year findings. Corrective action was taken on all prior year findings, except those denoted with an asterisk (*).

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



Gary J. Vinci
Public School Accountant
PSA Number CS00829