

**CEDAR GROVE PUBLIC SCHOOLS  
AUDITORS MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2020**

**CEDAR GROVE PUBLIC SCHOOLS  
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Report of Independent Auditors	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 Activity and Athletic Association Accounts	6
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	6
Miscellaneous	6
Follow-up on Prior Year Findings	6
Management Suggestions	7
Schedule of Meal Count Activity – Not Applicable	8
Schedule of Net Cash Resources – Not Applicable	8
Schedule of Audited Enrollments	9-11
Calculation of Excess Surplus	12
Recommendations	13-14
Acknowledgment	14



# 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  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
RALPH M. PICONE, III, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA

## INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members  
of the Board of Trustees  
Cedar Grove Public Schools  
Cedar Grove, 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 Cedar Grove Public Schools as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated February 3, 2021.

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

Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
February 3, 2021

**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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 Exhibit J-20, Insurance Schedule contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael DeVita	Board Secretary/Business Administrator	\$230,000
William Homa, CPA	Treasurer of School Monies	285,000

There is a Public Employees' Blanket Position Bond with Fidelity & Deposit Co. covering all other employees \$100,000 each person.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

**Financial Planning, Accounting and Reporting**

Examination of Claims

An examination of claims paid during the period under review did not reveal any discrepancies with respect to 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 certified by the President of the Board, the Board Secretary/School Business Administrator and approved by the Chief School Administrator.

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

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

**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Financial Planning, Accounting and Reporting**

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 reserve 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.

Board Secretary's Records

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

The prescribed contractual order system was followed.

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

Bids received were summarized in the minutes.

Travel

The District has established a policy regulating travel.

Treasurer's Records

The Treasurer did perform cash reconciliations for all the accounts as required (N.J.S.A. 18A:17-36).

All cash receipts were promptly deposited.

The Treasurer's records were in agreement with the records of the Board Secretary.

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 Fiduciary Fund.

**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Financial Planning, Accounting and Reporting (Continued)**

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

The E.S.E.A./I.A.S.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 as amended and reauthorized.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibits K-3 and K-4 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.

I.D.E.A. Part B

Separate accounting was maintained for each approved project.

T.P.A.F. Reimbursement

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

There were no expenditures charged to the current year for employee salaries identified as being paid from federal funds.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the Department 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 Board appointed the School Business Administrator as a qualified purchasing agent for the Board which raises the bidding threshold to \$40,000. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000 for 2019/20.

The Cedar Grove Public Schools 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 Solicitor'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 goods or service, the result of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**CEDAR GROVE PUBLIC SCHOOLS  
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 results of our examination indicate that no individual payments, contracts, or agreements which were made “for the performance of any work or the furnishing or hiring of any materials or supplies,” in excess of statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, as amended.

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 the district purchased items through the use of State contracts.

**School Food Service**

In accordance with the Governor’s Declaration of Emergency pertaining to COVID-19, all public, charter and non-public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to free and reduced price eligible students during the period of school closures.

Therefore, SFA’s were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A. 18A:18A-7. The SFA’s were also authorized to submit contract modifications to their existing cost reimbursable or fixed price contracts as necessary to ensure the feeding of free and reduce priced meal eligible students.

SFA’s were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

The financial transactions and statistical records of the school food services were received.

The District doesn’t participate in the National School Lunch Program.

The financial transactions and statistical records of the school food service fund were maintained in good condition.

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.

Cash receipts and bank records were reviewed for timely deposit.

**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**School Food Service (Continued)**

The District has contracted with Pomptonian as its 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 does not include an operating results provision.

**Finding-** Our audit indicated that deposits for cafeteria collections could not be verified to the daily cash register tapes.

**Recommendation-** It is recommended that the controls over the reconciliation process between the lunch sales per the cash register tape and the actual amount collected are enhanced to ensure all differences are reviewed and documented. Also, consideration should be given to utilize a Point of Sale (POS) system.

**Student Activity and Athletic Association Accounts**

The district has established a policy for the recording and processing of the cash receipts and cash disbursements for the student activity accounts.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, related services, 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 immaterial 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 written procedures appear to be adequate for the recording of student enrollment data.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2019-2020 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 compared to District records with isolated exceptions. 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 did comply with proper bidding procedures and award of transportation contracts.

**Facilities and Capital Assets**

Capital asset records were updated for the additions and disposals of capital assets made throughout the year.

**Miscellaneous**

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.



**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings.

**Management Suggestions**

Old outstanding checks on the various reconciliations of District bank accounts be reviewed and cleared of record.

Completed capital projects be formally cancelled and unexpended balances transferred accordingly.

**CEDAR GROVE PUBLIC SCHOOLS  
FOOD SERVICE FUND  
SCHEDULE OF MILK COUNTY ACTIVITY AND (OVER)/UNDERCLAIM  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOT APPLICABLE**

**FOOD SERVICE FUND  
SCHEDULE OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NOT APPLICABLE**

**CEDAR GROVE PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2019**

	2020-21 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 for Private Schools		Sample for Verifi- Sample Sample	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors
Half Day Pre K (3yrs)													-	-	-	-
Full Day Pre K (3yrs)													-	-	-	-
Half Day Pre K (4yrs)													-	-	-	-
Full Day Pre K (4yrs)					-	-							-	-	-	-
Half Day Kindergarten	15		15		-	-	8		8				-	-	-	-
Full Day Kindergarten	129		129		-	-	78		78				-	-	-	-
Grade 1	111		111		-	-	62		62				-	-	-	-
Grade 2	75		75		-	-	34		34				-	-	-	-
Grade 3	103		103		-	-	49		49				-	-	-	-
Grade 4	70		70		-	-	30		30				-	-	-	-
Grade 5	96		96		-	-	96		96				-	-	-	-
Grade 6	107		107		-	-	107		107				-	-	-	-
Grade 7	97		97		-	-	97		97				-	-	-	-
Grade 8	109		109		-	-	109		109				-	-	-	-
Grade 9	100		100		-	-	100		100				-	-	-	-
Grade 10	109		109		-	-	109		109				-	-	-	-
Grade 11	105		105		-	-	105		105	1		1	-	-	-	-
Grade 12	102		102		-	-	102		102				-	-	-	-
Subtotal	1,328	-	1,328	-	-	-	1,086	-	1,086	1		1	-	-	-	-
Sp Ed- Elementary	107		107		-	-	16		16				4	3	3	-
Sp Ed - Middle School	62	1	62	1	-	-	9		8		(1)		8	8	8	-
Sp Ed - High School	75	3	75	3	-	-	16		16				18	15	15	-
Subtotal	244	4	244	4	-	-	41	-	40	-	(1)	-	30	26	26	-
Totals	1,572	4	1,572	4	-	-	1,127	-	1,126	1	(1)	1	30.0	26.0	26.0	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>-0.09%</u>	<u>0.00%</u>			<u>0.00%</u>	



**CEDAR GROVE PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2019  
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-
Full Day Pre K (4yrs)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	6	6	-	3	3	-
Grade 1	5	5	-	5	5	-
Grade 2	3	3	-	3	3	-
Grade 3	5	5	-	5	5	-
Grade 4	2	2	-	2	2	-
Grade 5	1	1	-	1	1	-
Grade 6			-			-
Grade 7			-			-
Grade 8			-			-
Grade 9	1	1	-	1	1	-
Grade 10			-			-
Grade 11	1	1	-	1	1	-
Grade 12			-			-
Subtotal	<u>24</u>	<u>24</u>	<u>-</u>	<u>21</u>	<u>21</u>	<u>-</u>
Sp Ed - Elementary						-
Sp Ed - Middle School						
Sp Ed - High School						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>24</u></u>	<u><u>24</u></u>	<u><u>-</u></u>	<u><u>21</u></u>	<u><u>21</u></u>	<u><u>-</u></u>
			<u>0.00%</u>			<u>0.00%</u>

**CEDAR GROVE PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**SECTION 1A**

2019-2020 Total General Fund Expenditures per the CAFR	\$ 34,280,290
Decreased by:	
On-Behalf TPAF Pension & Social Security	4,360,983
Assets Acquired Under Capital Lease	<u>112,493</u>
Adjusted 2019-2020 General Fund Expenditures	<u>\$ 29,806,814</u>
2% of Adjusted 2019-2020 General Fund Expenditures	\$ 596,136
Increased by: Allowable Adjustment	<u>110,710</u>
Maximum Unassigned Fund Balance	<u>\$ 706,846</u>

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2020	\$ 5,437,133
Decreased by:	
Year End Encumbrances	275,187
Legally Restricted- Excess Surplus - Designated for Subsequent Year's Expenditures	810,919
Other Restricted Fund balances	2,636,602
Assigned Fund Balance- Unreserved-Designated for Subsequent Year's Expenditures	<u>200,000</u>
Total Unassigned Fund Balance	<u>\$ 1,514,425</u>

**SECTION 3**

<b>Fund Balance - Excess Surplus</b>	<u>\$ 807,579</u>
--------------------------------------	-------------------

***Recapitulation of Excess Surplus as of June 30, 2020***

Excess Surplus- Designated for Subsequent Year's Expenditures	\$ 810,919
Excess Surplus	<u>807,579</u>
Total Excess Surplus	<u>\$ 1,618,498</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	<u>\$ 110,710</u>
-------------------	-------------------

**Detail of Other Restricted Fund Balance**

Capital Reserve	\$ 2,052,928
Maintenance Reserve	383,674
Maintenance Reserve Designated for Subsequent Year's Expenditures	<u>200,000</u>
Total Other Restricted Fund Balance	<u>\$ 2,636,602</u>

**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

There are none.

**III. School Purchasing Programs**

There are none.

**IV. School Food Services**

- \* It is recommended that the controls over the reconciliation process between the lunch sales per the cash register tape and the actual amount collected are enhanced to ensure all differences are reviewed and documented. Also, consideration should be given to utilize a Point of Sale (POS) system.

**V. Student Activity and Athletic Association Accounts**

There are none.

**VI. Application of State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.

**VIII Facilities and Capital Assets**

There are none.

**IX. Miscellaneous**

There are none.

**CEDAR GROVE PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

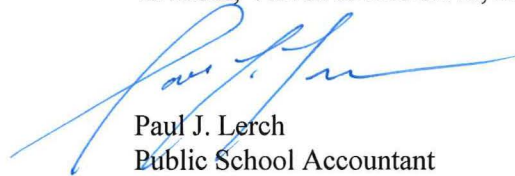
**X. Status of Prior Years' Audit Findings/Recommendations**

Corrective action was taken on all prior year recommendation except the recommendation denoted with an asterisk.

**ACKNOWLEDGMENT**

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



Paul J. Lerch  
Public School Accountant  
PSA Number CS01118