

HAWORTH BOARD OF EDUCATION
COUNTY OF BERGEN
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

HAWORTH BOARD OF EDUCATION
COUNTY OF BERGEN
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
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200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973.298.8500

11 Lawrence Road
Newton, NJ 07860
973.383.6699

nisivoccia.com

Independent Member
BKR International

December 17, 2020

The Honorable President and Members
of the Board of Education
Haworth Board of Education
County of Bergen, 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 financial statements of the Board of Education of the Haworth Borough School District in the County of Bergen for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 17, 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 letter does not affect our report dated December 17, 2020, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments, recommendations and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Haworth Borough School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Nisivoccia LLP
NISIVOCIA LLP

John J. Mooney

John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
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 Monies, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Paul Wolford	Business Administrator	\$ 200,000
Rebecca Overgaard	Treasurer of School Monies	\$ 200,000

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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 were approved by the Superintendent and certified by the President of the Board and the School Business Administrator, and the Chief School Administrator.

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

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 filed in a timely manner.

Finding:

Although the District has made every effort to prepare a detailed analysis of the balance in the Payroll Agency account on a monthly basis, the analysis is not always prepared in a timely manner.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster (Cont'd)

Recommendation:

It is recommended that the District prepare a detailed analysis of the balance in the payroll agency account in a timely manner.

Management Response:

The District will prepare a detailed analysis of the balance in the payroll agency account in a timely manner.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A: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 testing procedures. In addition to randomly selecting as a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. 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 Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have comments as noted on the following page.

Finding

We have noted that there were several receipts and disbursements which were not posted throughout the year to the District's records. This caused the District's records to not be in agreement with the reconciled cash balances on a monthly basis. The District is in the process of implementing procedures to ensure that all receipts and disbursements are posted through the year. A formal recommendation is not deemed necessary at this time.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

Financial Planning, Accounting and Reporting (Cont'd)

Board Secretary's Records (Cont'd)

Finding

We have noted that the tax levy for the year was not fully collected by year-end, which has caused a deficit in cash in the general fund.

Recommendation

It is recommended that the District make every effort to collect the entire tax levy before year-end.

Management's Response

The District will make every effort to collect the entire tax levy before year-end.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

Finding

It was noted that there were certain months which were unable to be reconciled by the Treasurer of School Monies. The Treasurer of School Monies was unable to perform the reconciliations due to a lack of information provided by the District. Due to the District shutdown for the COVID-19 pandemic, turning over the required information to the Treasurer of School Monies in a timely manner was challenging. The District is in the process of implementing procedures to ensure that all information is provided to the Treasurer of School Monies for the completion of reconciliations. A formal recommendation is not deemed necessary at this time.

Finding

During the course of our audit, it was noted that the Student Activities and General Fund bank reconciliations have several checks outstanding for over a year.

Recommendation

It is recommended that the District review outstanding checks over a year old on the Student Activities and General Fund bank reconciliations for cancellation or reissuance.

Management's Response

The District will review outstanding checks over a year old for cancellation or reissuance.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

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.

Finding

During the course of our audit, it was noted that the District requested reimbursement for federal grant funds not yet expended.

Recommendation

It is recommended that the District only request federal grant funds after they have been expended.

Management's Response

The District will make every effort to ensure federal grants funds are only requested after they have been expended or incurred.

T.P.A.F Reimbursement

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

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2020. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

School Purchasing Programs (Cont'd)

- b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school Districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law"

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 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 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 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. General compliance was noted.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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.

School Food Service

The District does not participate in the Child Nutrition Program or receive related federal or state awards. The parent organization within the District provides lunches to students who wish to participate. There are no funds which pass through the school for school food service activities.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted under treasurer's records.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual and low income 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 on a test basis 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 2020-2021 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.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel for the year and to ensure that the maximum is not exceeded. The regulations also require that all travel be preapproved by the Board of Education and that the approval must be itemized by event, event total cost, and individuals attending. Our review of the travel policies and records revealed that the district is in compliance with the travel regulations.

Testing for Lead of All Drinking Water in Educational Facilities

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

Facilities and Capital Assets

There were no active facilities projects funded with a SDA grant during the current fiscal year.

HAWORTH BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

Management Suggestions:

Governmental Accounting Standards Board (GASB) Statements

Due to COVID-19, the GASB postponed the implementation of GASB Statement No. 84, *Fiduciary Activities*, until the fiscal year ended June 30, 2021. Based on guidance from the NJ Department of Education and GASB, the activity for student activities, payroll agency, unemployment compensation trust, flexible spending trust and private purpose scholarship trust funds will no longer be reported in the Fiduciary Fund financial statements. This activity will now be reported in the General (payroll agency, flexible spending and unemployment compensation) and Special Revenue (student activities and scholarship) Funds.

Effect on Internal Controls due to COVID-19

With the increase in employees working remotely due to COVID-19 especially those in the Business Office it is vital that the District routinely reviews the internal controls in place especially with respect to security of passwords as well as access rights to accounting software and bank information including bank wire transfers and the timely back-up of records.

Status of Prior Year's Findings/Recommendations

The prior year recommendation concerning an analysis of balance being maintained for the payroll agency account was not corrected during the year and is recommendation within this audit. The prior year recommendations concerning December and June Board Secretary Reports being submitted in a timely manner, receipts and disbursements being posted to the accounting software, and reconciliations being performed after the end of each month and equipment purchases being posted to the appropriate line item have been resolved and are not included in the current year.

HA WORTH BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2019

	2020-2021 Application for State School Aid						Sample for Verification					
	Reported on ASSA		Reported on Workpapers		Errors		Sample Workpapers		Verified per Registers		Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Kindergarten	37		37				37		37			
Grade One	31		31				31		30		(1)	
Grade Two	43		43				43		42		(1)	
Grade Three	25		25				25		27		2	
Grade Four	38		38				38		37		(1)	
Grade Five	46		46				46		45		(1)	
Grade Six	42		42				42		41		(1)	
Grade Seven	44		44				44		47		3	
Grade Eight	41		41				41		42		1	
Subtotal	347		347				347		348		1	
Special Education:												
Elementary	22		22				4		4			
Middle	18		18				2		2			
Subtotal	40		40				6		6			
Totals	387	-0-	387	-0-	-0-	-0-	353	-0-	354	-0-	1	-0-
Percentage Error					0.00%	0.00%					0.29%	0.00%

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

Private Schools for Disabled

Resident Low Income

NOT APPLICABLE

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

Resident LEP Low Income

NOT APPLICABLE

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Resident LEP Not Low Income					
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten	1	1				
Grade One	1	1				
Grade Five	2	2		1	1	
Subtotal	<u>4</u>	<u>4</u>		<u>1</u>	<u>1</u>	
Special Education:						
Elementary School	1	1		1	1	
Middle School						
Subtotal	<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>	
Totals	<u>5</u>	<u>5</u>	<u>-0-</u>	<u>2</u>	<u>2</u>	<u>-0-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

HAWORTH BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Transported - Non Public	3.0	3.0		1	1	
AIL - Non Public	14.0	14.0		3	3	
Special Needs - Public	3.0	3.0		1	1	
Totals	20.0	20.0	-0-	5	5	-0-
Percentage Error			0.00%			0.00%

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	7.2	7.2
Average Mileage - Regular Excluding Grade PK Students	7.2	7.2
Average Mileage - Special Education with Special Needs	4.3	4.3

HAWORTH BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2020

Regular District

Section 1

2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 10,264,224</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ -0-</u> (B1b)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 1,522,607</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ -0-</u> (B2b)	
Adjusted 2019-20 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 8,741,617</u> (B3)	
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	<u>\$ 174,832</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 250,000</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 114,694</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 364,694</u> (M)

Section 2

Total General Fund - Fund Balances @ 6/30/20 (Per CAFR Budgetary Comparison Schedule/Statement)	<u>\$ 2,862,980</u> (C)	
Decreased by:		
Year-end Encumbrances	<u>\$ 8,248</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 196,499</u> (C3)	
Other Restricted Fund Balances	<u>\$ 2,095,742</u> (C4)	
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 72,797</u> (C5)	
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2020 - August 1, 2020	<u>\$ -0-</u> (C6)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 489,694</u> (U)

Section 3

Restricted Fund Balance-Excess Surplus [(U)-(M)] IF NEGATIVE, ENTER -0-	<u>\$ 125,000</u> (E)
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HAWORTH BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2020

Recapitulation of Excess Surplus as of June 30, 2020

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 196,499 (C3)
Restricted Excess Surplus [(E)]	<u>\$ 125,000 (E)</u>
Total [(C3)+(E)]	<u>\$ 321,499 (D)</u>

Detail of Allowable Adjustments

Impact Aid	\$ -0- (H)
Sale & Lease-back	<u>\$ -0- (I)</u>
Extraordinary Aid	<u>\$ 114,694 (J1)</u>
Additional Nonpublic School Transportation Aid	<u>\$ -0- (J2)</u>
Total Adjustments (H)+(I)+(J1)+(J2)+(J3)	<u>\$ 114,694 (K)</u>

Detail of Other Restricted Fund Balances

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ -0-
Sale/Lease-back Reserve	<u>\$ -0-</u>
Capital Reserve (N-1)	<u>\$ 2,045,742</u>
Maintenance Reserve (N-2)	<u>\$ -0-</u>
Tuition Reserve (N-3)	<u>\$ -0-</u>
Emergency Reserve (N-4)	<u>\$ 50,000</u>
Other Restricted Fund Balance not Noted Above	<u>\$ -0-</u>
Total Other Restricted Fund Balance	<u>\$ 2,095,742 (C-4)</u>

HAWORTH BOARD OF EDUCATION
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2020

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
 - a. The District prepare a detailed analysis of the balance in the payroll agency account in a timely manner.
 - b. The District make every effort to collect the entire tax levy before year-end.
 - c. The District review outstanding checks over a year old for cancellation or reissuance
 - d. The District only request federal grant funds after they have been expended.
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
None
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None

HAWORTH BOARD OF EDUCATION
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2020

9. Status of Prior Year's Findings/Recommendations

The prior year recommendation concerning an analysis of balance being maintained for the payroll agency account was not corrected during the year and is recommendation within this audit. The prior year recommendations concerning December and June Board Secretary Reports being submitted in a timely manner, receipts and disbursements being posted to the accounting software, and reconciliations being performed after the end of each month and equipment purchases being posted to the appropriate line item have been resolved and are not included in the current year.