

**NORWOOD BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2020**

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

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Honorable President and Members
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Norwood Board of Education
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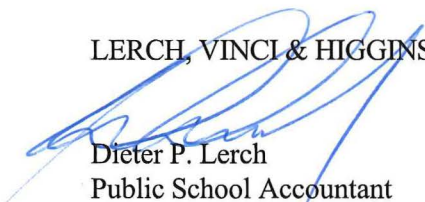
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Norwood Board of Education, County of Bergen, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated January 5, 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 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
January 5, 2021

**NORWOOD BOARD OF EDUCATION
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 the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Sacha Pouliot (Term. 1/1/2020)	Board Secretary/School Business Administrator	\$50,000
Dr. Victor Anaya (Eff. 1/2/2020)		
Antoinette Kelly	Treasurer of School Monies	200,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$1,000,000.

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.

Finding – Monthly payrolls were not approved by the Superintendent and were not certified by the Board Secretary and Board President.

Recommendation – It is recommended that the monthly payrolls be approved by the Superintendent and certified by the Board Secretary and Board President.

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

Finding – The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent and business administrator) to the NJ Department of Treasury was not filed.

Recommendation – It is recommended that the required certification (E-CERT1) for compensation related to certain administrators be filed annually with the state by the School Business Administrator.

**NORWOOD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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.

Finding - The Board Secretary Report and Treasurer of School Monies Report cash balances were overstated by \$366,391. The financial statements were adjusted as of June 30, 2020 (CAFR Findings 2020-01 and 2020-03).

Recommendation - It is recommended that the Board Secretary and Treasurer of School Monies reports be reviewed on a monthly basis to ensure they are in agreement with the reconciled cash balances.

Finding - The application for special education extraordinary state aid was not filed on a timely basis. As a result the District did not receive funding for 2019/20.

Recommendation - It is recommended that the School Business Administrator/Board Secretary, in coordination with the Special Education Director, file the application for special education extraordinary state aid on a timely basis.

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.

**NORWOOD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Planning, Accounting and Reporting (Continued)

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.

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.

School Purchasing Programs

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 2019-20.

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.

Finding – The District awarded a contract, the cost of which exceeded the bid threshold, for computer services through a state cooperative purchasing program. The contract was not approved in the minutes. Furthermore, supporting documentation was not available for audit (CAFR Findings 2020-02 and 2020-04).

Recommendation – It is recommended that the contracts awarded through state cooperative purchasing programs, the cost of which exceed the bid threshold, be approved in the minutes and supporting documentation be retained for audit.

**NORWOOD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

School Purchasing Programs (Continued)

Finding – A change order was approved in the minutes, however was not recorded in the district records were not adjusted to reflect the new contract balance.

Recommendation – It is recommended that all contract change orders be recorded in the District records.

Food Service Fund

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

The cash disbursement records reflected expenditures for program related goods and services. The appropriate revenue and expense records were maintained in order to substantiate the non-profit status of the school food service.

Student Activity Funds

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

All disbursements were supported by proper documentation.

Finding – A detail receipt ledger was not maintained for student activity monies collected.

Recommendation – It is recommended that a detail receipt ledger be maintained for all monies collected.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2019 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.

Pupil Transportation

Our procedures included a test of on roll status reported in the 2019-20 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.

**NORWOOD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Facilities and Capital Assets

Our procedures included a review of the District's capital assets and related capital projects for consistency in the awarding of contracts for eligible facilities construction.

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

There were no prior year findings.

**NORWOOD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

**NORWOOD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2019**

	2020-2021 Application for State School Aid						Sample for Verification						On Roll - Special Education			Private Schools for Disabled			
	Reported on A.S.S.A.		Reported on Workpapers		Errors		Sample Selected from Workpapers		Verified per Register		Errors per Registers		Sample for			Reported on A.S.S.A. as Private Schools		Sample for	
	On Roll		On Roll		Full	Shared	Workpapers		On Roll		On Roll		Verifi- cation	Sample Verified	Sample Errors	Private Schools	Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared							
Half Day Preschool - 3 years			-	-	-														
Full Day Preschool - 3 years	1		1		-	-		1		1									
Half Day Preschool - 4 years			-	-	-														
Full Day Preschool - 4 years	4		5		(1)	-		5		5									
Half Day Kindergarten			-	-	-														
Full Day Kindergarten	38		39		(1)	-		39		39									
1st Grade	65		65		-	-		65		65									
2nd Grade	55		55		-	-		55		55									
3rd Grade	51		51		-	-		51		51									
4th Grade	58		58		-	-		58		58									
5th Grade	65		65		-	-		65		65									
6th Grade	57		57		-	-		57		57									
7th Grade	69		69		-	-		69		69									
8th Grade	58		58		-	-		58		58									
9th Grade			-		-	-													
10th Grade			-		-	-													
11th Grade			-		-	-													
12th Grade			-		-	-													
Subtotal	521	-	523	-	(2)	-	523	-	523	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	30		31		(1)	-	31		31										
Spec Ed - Middle School	25		25		-	-	25		25										
Spec Ed - High School			-		-	-													
Subtotal	55	-	56	-	(1)	-	56	-	56	-	-	-	-	-	-	-	-	-	-
Totals	576	-	579	-	(3)	-	579	-	579	-	-	-	-	-	-	-	-	-	-
Percentage Error					-0.52%					0.00%				0.00%					0.00%

**NORWOOD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2019**

	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 (3 Yrs)			-			-			-			-
Full Day Kindergarten	1	1	-	1	1	-			-			-
1st Grade	1	1	-	1	1	-			-			-
2nd Grade	2	2	-	2	2	-			-			-
3rd Grade	1	1	-	1	1	-			-			-
4th Grade	2	2	-	2	2	-			-			-
5th Grade	1	1	-	1	1	-			-			-
6th Grade	1	1	-	1	1	-			-			-
7th Grade	2	2	-	2	2	-			-			-
8th Grade	1	1	-	1	1	-			-			-
9th Grade			-			-			-			-
10th Grade			-			-			-			-
11th Grade			-			-			-			-
12th Grade			-			-			-			-
Subtotal	<u>12.0</u>	<u>12.0</u>	<u>-</u>	<u>12</u>	<u>12</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Spec Ed - Elementary	2.0	2.0	-	2.0	2.0	-			-			-
Spec Ed - Middle School	1.0	1.0	-	1.0	1.0	-			-			-
Spec Ed - High School			-			-			-			-
Subtotal	<u>3.0</u>	<u>3.0</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>15.0</u>	<u>15.0</u>	<u>-</u>	<u>15</u>	<u>15</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>			<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	41.0	41.0	-	27.0	27.0	-
Transported - Non-Public	4.0	4.0	-	3.0	3.0	-
AIL - Non-Public	16.0	16.0	-	10.0	10.0	-
Regular - Spec.	4.0	4.0	-	3.0	3.0	-
Special Needs - Public	10.0	10.0	-	6.0	6.0	-
Totals	<u>75.0</u>	<u>75.0</u>	<u>-</u>	<u>49.0</u>	<u>49.0</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**NORWOOD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2019**

	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	5	5	-	5	5	-
2nd Grade	2	2	-	2	2	-
3rd Grade	2	2	-	2	2	-
4th Grade	1	1	-	1	1	-
5th Grade	1	1	-	1	1	-
6th Grade	1	1	-	1	1	-
7th Grade			-			-
8th Grade			-			-
9th Grade			-			-
10th Grade			-			-
11th Grade			-			-
12th Grade			-			-
Subtotal	<u>12</u>	<u>12</u>	-	<u>12</u>	<u>12</u>	-
Spec Ed - Elementary			-			-
Spec Ed - Middle School	1	1	-	1	1	-
Spec Ed - High School			-			-
Subtotal	<u>1</u>	<u>1</u>	-	<u>1</u>	<u>1</u>	-
Totals	<u><u>13</u></u>	<u><u>13</u></u>	-	<u><u>13</u></u>	<u><u>13</u></u>	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**NORWOOD BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2019-2020 expenditures of \$100 million or less)

2019-2020 Total General Fund Expenditures per the CAFR	\$ 13,459,407
Decreased by:	
On-Behalf TPAF Pension & Social Security	(1,561,431)
Adjusted 2019-2020 General Fund Expenditures	<u>\$ 11,897,976</u>
2% of Adjusted 2019-2020 General Fund Expenditures	<u>\$ 250,000</u>
Enter Greater of 2% of Adjusted 2019-2020 General Fund Expenditures or \$250,000	
<u>Increased by:</u>	
Allowable Adjustment*	748
Maximum Unassigned Fund Balance	<u>\$ 250,748</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2020	\$ 1,504,368
Decreased by:	
Year End Encumbrances	\$ 125,346
Capital Reserve	1,035,573
Excess Surplus - Designated for Subsequent Year	-
Assigned - Designated for Subsequent Year	<u>40,000</u>
	<u>1,200,919</u>
Total Unassigned Fund Balance	<u>\$ 303,449</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	<u>\$ 52,701</u>
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Recapitulation of Excess Surplus

Restricted Excess Surplus - Designated for Subsequent Years	\$ -
Restricted Excess Surplus	<u>52,701</u>
Total	<u>\$ 52,701</u>
* Detail of Allowable Adjustment	
Extraordinary Aid	\$ -
Non Public Transportation Aid Reimbursement	<u>748</u>
	<u>\$ 748</u>

**NORWOOD BOARD OF EDUCATION
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

It is recommended that

1. The monthly payrolls be approved by the Superintendent and certified by the Board Secretary and Board President.
2. The required certification (E-CERT1) for compensation related to certain administrators be filed annually with the state by the School Business Administrator.
3. The Board Secretary and Treasurer of School Monies reports be reviewed on a monthly basis to ensure they are in agreement with reconciled cash balances.
4. The School Business Administrator/Board Secretary, in coordination with the Special Education Director, file the application for special education extraordinary state aid on a timely basis.

III. School Purchasing Program

It is recommended that

1. The contracts awarded through state cooperative purchasing programs, the cost of which exceed the bid threshold, be approved in the minutes and supporting documentation be retained for audit
2. All contract change orders be recorded in the District records.

IV. School Food Services

There are none.

V. Student Body Activities

It is recommended that a detail receipt ledger be maintained for all monies collected.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

**NORWOOD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

RECOMMENDATIONS

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

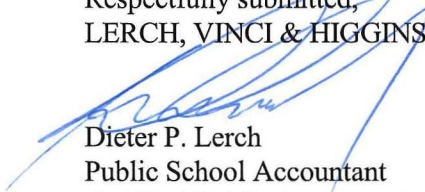
X. Status of Prior Years' Audit Findings/Recommendations

There were no prior year recommendations.

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