

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2020**

SCHOOL DISTRICT OF THE BOROUGH OF PROSPECT PARK
COUNTY OF PASSAIC, NEW JERSEY

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

TABLE OF CONTENTS

	<u>Page</u> <u>No.</u>
Independent Auditors' Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Officials Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account and Position Control Roster	3
Position Control Roster	3
Reserve for Encumbrances, Liability for Accounts Payable	4
Classification of Expenditures	4
Board Secretary's Records	4
Treasurer's Records	5
Fixed Assets	5
Elementary and Secondary Education Act (E.S.E.A.) as Amended by the Every Student Succeeds Act (ESSA)	6
Other Special Federal and/or State Projects	6
T.P.A.F. Reimbursement	6
T.P.A.F. Reimbursement to State for Federal Salary Expenditures	6
Nonpublic State Aid	6
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	7
School Food Service	8
Student Body Activities	10
Application for State School Aid	10
Pupil Transportation	10
Testing for Lead of All Drinking Water in Education Facilities	10
Follow-up on Prior Year Findings	11
Acknowledgment	11
Schedule of Meal Count Activity	12
Net Cash Resources- Proprietary Funds- Food Service	14
Schedule of Audited Enrollments	15
Excess Surplus Calculation	18
Audit Recommendations Summary	20



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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Prospect Park School District
County of Passaic, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Prospect Park School District in the County of Passaic for the year ended June 30, 2020, and have issued our report thereon dated January 8, 2021.

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 report is intended for the information of the Prospect Park Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Steven D. Wielkocz

Steven D. Wielkocz, C.P.A.
Licensed Public School Accountant
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WIELKOTZ & COMPANY, LLC
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January 8, 2021



**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

GENERAL COMMENTS

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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 Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Carl Morelli	Business Administrator/Board Secretary	\$210,000
Stephen Sanzari	Treasurer of School Moneys	210,000

There is a Public Employees' Dishonesty coverage with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative charges and actual certified tuition charges was made. The actual costs were more than estimated costs. The Board made a proper adjustment to the billings to sending districts for the increase in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated discrepancies with respect to signatures, certification or supporting documentation.

***Finding 2020-001:** There were instances in which invoices/supporting documentation were not available for review at the time of audit.

Recommendation: The district should ensure that all invoices/supporting documentation are available for review at time of audit.

Financial Planning, Accounting and Reporting, (continued)

Payroll Account and Position Control Roster

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 2020-002:** Supporting documentation that all payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary was not available for review at the time of audit.

Recommendation: That supporting documentation for approved payrolls be maintained on file and made available upon request.

Finding 2020-003: There were instances in which salary withholdings were not promptly remitted to the proper agencies in a timely manner resulting in penalties assessed.

Recommendation: All salary withholdings be promptly remitted to the proper agencies.

Payrolls were delivered to the Treasurer of School Moneys who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

***Finding 2020-004 (CAFR Finding 2020-008):** Recalculation of employee health benefit contributions do not agree to amounts being deducted from employees pay.

Recommendation: The district should review all information input into the system for health benefit contribution calculations and make necessary adjustments.

***Finding 2020-005:** Reporting of employee compensation for income tax related purposes did not comply with federal regulations regarding the compensation which is required to be reported. There were instances in which W-4 forms could not be located for review for selected individuals.

Recommendation: The district should establish internal controls to ensure that compensation is properly recorded and reported. Per Publication 15, (Circular E), Employer's Tax Guide, copies of employees' income tax withholding allowance should be held for at least 4 years. All W-4 forms should be made available for review at the time of audit.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Financial Planning, Accounting and Reporting, (continued)

Reserve for Encumbrances, Liability for 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 to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of .03% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding 2020-006: Expenditures in the categories Required Maintenance were not charged to the appropriate line item accounts in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2020 Edition and other available reference materials, such as the Budget Guidelines for the proper classification required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Board Secretary's Records

Our overview of the financial and accounting records maintained by the Board Secretary disclosed the following items:

Finding 2020-007 (CAFR Finding 2020-007): The Board Secretary's and Treasurer's reports for the months of July 2019 through December 2019 were not presented monthly to the board. Also, the district could not provide documentation that the Annual Report was submitted to the executive county superintendent by August 1.

Recommendation: The Board Secretary's and Treasurer's reports should be presented monthly to the board in accordance with N.J.S.A. 18A:17.9 and N.J.S.A. 18A:17-36. In addition, the Board Secretary should maintain supporting documentation regarding the submission of the Annual Report to the executive county superintendent in accordance with N.J.S.A. 18A:17-10.

Financial Planning, Accounting and Reporting, (continued)

Board Secretary's Records, (continued)

***Finding 2020-008:** There are unexpected balances in the capital projects fund for projects which have been completed.

Recommendation: The district should cancel the remaining unexpected balances in the capital projects fund and transfer the funds to the debt service fund by resolution.

***Finding 2020-009:** There were instances where the invoices were not paid in a timely manner.

Recommendation: That more care be taken to ensure payments are made in a timely manner.

Treasurer's Records

The following item was noted during our review of the records of the Treasurer:

Finding 2020-010: The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation: The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Finding 2020-011: The reconciled cash balance in the Food Service Program is a negative \$61,728 resulting from subsidy reimbursements not being turned over.

Recommendation: All receipts related to the Food Service Program should be deposited into the account in a timely manner to avoid a negative reconciled balance.

Finding 2020-012: The reconciled cash balance in the Payroll Agency Account is a negative \$171,205 resulting from budget expenses not being turned over.

Recommendation: All budget expenses should be turned over to the Payroll Agency Account in a timely manner to avoid a negative reconciled balance.

Fixed Assets

***Finding 2020-013 (CAFR Findings 2020-002 and 2020-003):** The capital asset records were not updated for the additions and disposals of capital assets made during the year.

Recommendation: The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

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. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II, III and IV of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questionable costs.

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the 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 Reports 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.

Nonpublic State Aid

Project completion reports were finalized and transmitted to the State Department of Education by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term ‘competitive contracting’, which is defined as “the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received.” Also, subsection (aa) defines the term ‘concession’ to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a “Qualified Purchasing Agent” (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. “In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted.”

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 Agency) 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 Solicitor's opinion should be sought before a commitment is made.

Contracts and Agreements Requiring Advertisement for Bids, (continued)

Finding 2020-014 (CAFR Finding 2020-006): The district purchased goods/services which exceeded 15 percent of the bid threshold without soliciting at least two competitive quotations.

Recommendation: When awarding contracts that are less than the bid threshold but at least 15 percent or more of that amount, the district should award the contract only after soliciting at least two competitive quotations in accordance with Public School Contracts Law N.J.S.A. 18A:18A.

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

School Food Service

COVID-19 Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the COVID-19 virus, all Public, Charter, 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 alternative procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs 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 SFAs 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 Reduced Price meal eligible students.

SFAs 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; modifications of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

We also inquired of school management, or appropriate food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner. During our review of meals claimed, no exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications times the number of operating days, on a school by school basis. The free and reduced price meal was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications was not completed and not available for review.

School Food Service, (continued)

Finding 2020-015 (CAFR Finding 2020-003): The required documentation required to support the number of students reported as low income was not available for audit.

Recommendation: The district should maintain the completed valid New Jersey Household Information Survey Form or documentation of direct certification for all student reported as low income.

The District utilizes a 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 includes an operating results provision which guarantees that the food service program will return a profit of at least \$50,000. The operating results provision has been met. All vendor discounts, rebates and credits from the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

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.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did exceed three months average expenditures.

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

U.S.D.A. Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Finding 2020-016: Inventory records on food and supply items were not currently maintained at year end.

Recommendation: Inventory records on food and supply items should be currently maintained and properly applied in determining the cost of food and supplies used.

***Finding 2020-017:** The school district's net cash resources exceeded three months average expenditures.

Recommendation: The district should improve food quality or take other actions designed to improve the nonprofit school food service program.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

Student Body Activities

During our review of the Student Activity Funds, no exceptions were noted.

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, bilingual and low-income. 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 exceptions noted. The information that was included on the workpapers was verified with exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding 2020-018 (CAFR Finding 2020-005): The district did not maintain workpapers in the prescribed state format or their equivalent to support the number of student reports as Special Education, Low Income, Low Income Limited English Proficient or Limited English Proficient.

Recommendation: Detailed listings of all enrollment counts should be maintained to support the Application for State School Aid submission.

Finding 2019-019 (CAFR Finding 2020-005): The district had no written procedures for the proper maintenance and recording of student enrollment data.

Recommendations: We recommend that the district prepare written procedures detailing the process for the two required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.

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 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 expectations were noted in our review of transportation related purchases of goods and services.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the 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. Corrective action had been taken on all prior year findings, with the exception of the comments preceded with an “*”.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Steven D. Wielkotz

Steven D. Wielkotz, C.P.A.
Public School Accountant

Wielkotz + Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

SCHEDULE OF MEAL COUNT ACTIVITY

PROSPECT PARK BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (High Rate)	Paid	1,825	1,825	1,825		0.34	-
National School Lunch (High Rate)	Reduced					3.03	-
National School Lunch (High Rate)	Free	73,589	73,589	73,589		3.43	-
National School Lunch (High Rate)	SSO	<u>23,192</u>	<u>23,192</u>	<u>23,192</u>		3.43	-
	Total	<u>98,606</u>	<u>98,606</u>	<u>98,606</u>			-
National School Lunch (Healthy Hunger-Free Kids Act)	HHFKA	<u>98,606</u>	<u>98,606</u>	<u>98,606</u>		0.07	-
School Breakfast (Severe Needs Rate)	Paid	1,432	1,432	1,432		0.31	-
	Reduced					1.90	-
	Free	57,712	57,712	57,712		2.20	-
	SSO	<u>23,297</u>	<u>23,297</u>	<u>23,297</u>		2.20	-
	Total	<u>82,441</u>	<u>82,441</u>	<u>82,441</u>			-
Total (Over)/Under Claim						Total Net Diff	<u>-</u>

SCHEDULE OF MEAL COUNT ACTIVITY

PROSPECT PARK BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - STATE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
State Reimbursement - National School Lunch (High Rate)	Paid	1,825	1,825	1,825		0.050	-
State Reimbursement - National School Lunch (High Rate)	Reduced					0.055	-
State Reimbursement - National School Lunch (High Rate)	Free	73,589	73,589	73,589		0.055	-
State Reimbursement - National School Lunch (High Rate)	SSO	<u>23,192</u>	<u>23,192</u>	<u>23,192</u>		0.055	<u>-</u>
	Total	<u>98,606</u>	<u>98,606</u>	<u>98,606</u>			<u>-</u>
Total (Over)/Under Claim							<u><u>-</u></u>

**BOROUGH OF PROSPECT PARK
BOARD OF EDUCATION**

**Net cash resources did not exceed three months of expenditures
Proprietary Funds - Food Service
Year ended June 30, 2020**

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Accounts Receivable	51,566
B-4		Due from Other Funds	197,538
		Net Cash Resources	\$ 249,104 (A)

Net Adj. Total Operating Expense:

B-5		Tot. Operating Exp.	562,004	
B-5		Less Depreciation		
		Adj. Tot. Oper. Exp.	\$ 562,004	(B)

Average Monthly Operating Expense:

		B / 10	\$ 56,200	(C)
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Three times monthly Average:

		3 X C	\$ 168,601	(D)
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TOTAL IN BOX A	\$	249,104.00	
LESS TOTAL IN BOX D	\$	168,601.20	
NET	\$	80,502.80	
From above:			
A is greater than D, cash exceeds 3 X average monthly operating expenses.			
D is greater than A, cash does not exceed 3 X average monthly operating expenses.			

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

SCHEDULE OF AUDITED ENROLLMENTS

BOROUGH OF PROSPECT PARK SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

Year Ended June 30, 2020

Enrollment Category	2020-2021 Application for State School Aid			Sample for Verification			Private Schools for Disabled			
	Reported on ASAA On Roll	Reported on Workpapers On Roll	Errors	Sample Selected from Workpapers	Verified per Registers On Roll	Errors per Registers On Roll	Reported on ASAA as Private Schools	Sample for Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Full	Shared	Full	Full	Shared	Full	Shared
Half Day Preschool	23			23			23			
Full Day Preschool	30			30			30			
Full Day Kindergarten	76			76			76			
One	65			65			65			
Two	59			59			59			
Three	77			77			77			
Four	86			86			86			
Five	69			69			69			
Six	90			90			90			
Seven	72			72			72			
Eight	83			83			83			
Subtotal	730			730			730			
Special Ed. Elementary	87			59			58		8	7
Special Ed. Middle	42			29			28		3	3
Subtotal	129			88			86		11	10
Totals	859			818			816		11	10
Percentage Error									0.24%	

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PROSPECT PARK
BOARD OF EDUCATION**

Application for State School Aid Summary
Enrollment as of October 15, 2019

Year ended June 30, 2020

Enrollment category	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	Sample selected from workpapers	Verified to Application and Register	Reported on A.S.S.A as LEP low Income	Reported on Workpapers LEP low Income	Sample Selected from Workpapers	Verified to Test score and Register
Full Day Kindergarten	20	20	8	8	6	6	4	4
One	41	39	17	17	2	2	2	2
Two	32	30	13	13	1	1	1	1
Three	50	49	21	21	2	2	2	2
Four	58	58	23	23	6	6	5	5
Five	39	38	16	16	1	1	1	1
Six	54	51	22	22	5	5	4	4
Seven	44	42	18	18	3	3	3	3
Eight	50	45	21	21	2	2	2	2
Special Ed. Elementary	61	52	25	25	5	5	4	4
Special Ed. Middle School	31	27	13	13	2	2	2	2
	480	451	197	197	35	35	30	30
	480	451	197	197	35	35	30	30

Percentage	Reported	Re-calc.
	4.8	4.8
	7.6	7.6
	100	100

Category	Transportation	
	Reported on DRTRS by DOE/county	Reported on DRTRS by District
Regular - Public Schools, col. 1	12.0	12.0
Transported- Non-Public	3.0	3.0
Special needs, col. 6	18.0	18.0
Totals	33.0	33.0

Percentage	Reported	Re-calc.
	4.8	4.8
	7.6	7.6
	100	100

**BOROUGH OF PROSPECT PARK
BOARD OF EDUCATION**

SCHEDULE OF AUDITED ENROLLMENTS

Application for State School Aid Summary
Enrollment as of October 15, 2019

Year ended June 30, 2020

Enrollment category	Resident LEP Not Low Income		Sample for Verification		
	Reported on A.S.S.A as LEP Not low Income	Reported on Workpapers LEP Not low Income	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Full Day Kindergarten	1	1	1		1
One					
Two	1	1	1		1
Three	3	3	3		3
Four	1	1	1		1
Five	2	2	2		2
Six	5	5	4		4
Seven	4	4	3		3
Eight	5	5	4		4
Special Ed. Elementary	2	2	2		2
Special Ed. Middle School					
Special Ed. High School					
	<u>24</u>	<u>24</u>	<u>21</u>		<u>21</u>
Sent to BCSS					
	<u>24</u>	<u>24</u>	<u>21</u>		<u>21</u>
Percentage					

**PROSPECT PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>15,262,423</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>260,000</u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ <u>6,886</u>	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>1,950,399</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 19-20 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ <u>13,578,910</u>	(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	\$ <u>271,578</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>271,578</u>	(B5)
Increased by: Allowable Adjustment *	\$ <u>185,917</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u>457,495</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-20 (Per CAFR Budgetary Comparison Schedule C-1))	\$ <u>2,015,812</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ _____	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>306,963</u>	(C3)
Other Restricted Fund Balances****	\$ <u>926,501</u>	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$ _____	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>782,348</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 324,853 (E)

Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>306,963</u>	(C3)
Reserved Excess Surplus ***[(E)]	\$ <u>324,853</u>	(E)
Total [(C3) + (E)]	\$ <u>631,816</u>	(D)

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic School Transportation Aid;

(J3) Recognized current year School Bus Advertising Revenue; and

(J4) Family Crisis Transportation Aid

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ <u>185,047</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>870</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>185,917</u>	(K)

** This amount represents the June 30, 2020 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2020 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:		
Approved unspent separate proposal	\$ _____	
Sale/Lease-back reserve	\$ _____	
Capital Reserve	\$ <u>451,387</u>	
Maintenance Reserve	\$ <u>375,114</u>	
Emergency Reserve	\$ <u>100,000</u>	
Tuition Reserve	\$ _____	
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ _____	
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ _____	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____	
Other state/government mandated reserve	\$ _____	
[Other Restricted Fund Balance not noted above]****	\$ _____	
Total Other Restricted Fund Balance	\$ <u>926,501</u>	(C4)

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendations:

1. Administrative Practices and Reporting

None

2. Financial Planning, Accounting and Reporting

*The District should ensure that all invoices/supporting documentation is available for review at time of audit.

*That all supporting documentation for approved payrolls be maintained on file and made available upon request.

All salary withholdings be promptly remitted to the proper agencies.

*The District should review all information input into the system for health benefit contribution calculations and make necessary adjustments.

*The District should establish internal controls to ensure that compensation is properly recorded and reported. Per Publication 15, (Circular E), Employer's Tax Guide, copies of employees' income tax withholding allowance should be held for at least 4 years. All W-4 forms should be made available for review at the time of audit.

The District should reference The *Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2020 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

The Board Secretary's and Treasurer's reports should be presented monthly to the board in accordance with N.J.S.A. 18A:17.9 and N.J.S.A. 18A:17-36. In addition, the Board Secretary should maintain supporting documentation regarding the submission of the Annual Report to the executive county superintendent in accordance with N.J.S.A. 18A:17-10.

The District should cancel the remaining unexpended balances in the Capital Projects Fund and transfer the funds to the Debt Service Fund by resolution.

That more care be taken to ensure payments are made in a timely manner.

The Treasurer should reconcile their cash records with the reconciled bank statements and the cash records of the Board Secretary.

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendations (continued):

2. Financial Planning, Accounting and Reporting (Continued)

All receipts related to the Food Service Program should be deposited into the account in a timely manner to avoid a negative reconciled balance.

All budget expense should be turned over to the Payroll Agency Account in a timely manner to avoid a negative reconciled balance.

*The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

3. School Purchasing Programs

*When awarding contracts that are less than the bid threshold but at least 15 percent or more of that amount, the district should award the contract only after soliciting at least two competitive quotations in accordance with Public School Contracts Law N.J.S.A. 18A:18A.

4. School Food Service

The district should maintain the completed valid New Jersey Household Information Survey Form or documentation of direct certification for all student reported as low income.

Inventory records on food and supply items should be currently maintained and properly applied in determining the cost of food and supplies used.

The district should improve food quality or take other actions designed to improve the nonprofit school food service program.

5. Student Body Activities

None

6. Application for State School Aid

Detailed listings of all enrollment counts should be maintained to support the Application for State School Aid submission.

We recommend that the district prepare written procedures detailing the process for the two required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.

**PROSPECT PARK BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendations (continued):

7. Pupil Transportation

None

8. Miscellaneous

None

9. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was take on all prior year findings, with the exception of the recommendations preceded with an “*”.