

**FLORHAM PARK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2021**

**FLORHAM PARK BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Florham Park Board of Education
Florham Park, New Jersey

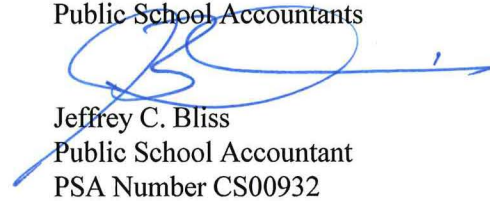
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Florham Park Board of Education as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated February 3, 2022.

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 of management, the Board of Education, 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

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
February 3, 2022

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule (Exhibit J-20) contained in the district's Comprehensive Annual Financial Report (CAFR).

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John R. Csatos	Board Secretary/School Business Administrator	\$100,000
Raymond G. Karaty	Treasurer of School Monies	230,000

There is a Public Employee Dishonesty and Faithful Performance Coverage with the New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$100,000.

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 signatures, certifications and supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of payroll taxes were deposited in the Payroll Agency Account.

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

Salary withholdings were promptly remitted to the proper agencies, including employee health benefit premium contribution amounts withheld due to the General Fund.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

The District maintains a personnel tracking and accounting (position control) system.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law for the reporting of compensation for certain employees.

Travel

The District had an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

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, we also selected administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-8.3. As a result of the procedures performed no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary'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 were included in the minutes.

The prescribed contractual order system was followed.

Treasurer's Records

The Treasurer did perform cash reconciliations for all District accounts (NJSA 18A:17-9).

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

The Treasurer's cash balances were in agreement with the reconciled cash balances as determined during the audit.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Financial Planning, Accounting and Reporting (Continued)

Unemployment Compensation Insurance Account

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

Elementary and Secondary Education Act (E.S.E.A.)/As Amended by Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, II, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Our examination of the E.S.E.A. 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.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibit 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.

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

There were no TPAF employees' pensionable wages paid from federal funds during the current fiscal year. Therefore, there were no reimbursement amounts due to the State at June 30, 2021.

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 \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (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 \$19,600.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971, c.198 (c.40A:11-9), the Board of Education may establish that the bid threshold may be up to \$44,000. 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. The Board has designated the School Business Administrator as the qualified purchasing agent and has approved by Board resolution a bid threshold of \$44,000.

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

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.

The results of our examination did not indicate any 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.

Finding 2021-001 – Our audit of purchasing and contract award procedures revealed the following:

- Board approved professional service contract awards were not subsequently published in the District's official newspaper as required by the Public School Contracts Law.
- We noted a contract renewable for substitute staffing services which exceeded the bid threshold and was previously awarded through a competitive contract process that was not approved in the Board minutes.
- We noted in some instances that certain purchases to cooperative contract vendors which exceeded the bid threshold were not approved by Board resolution.
- We noted in certain instances where political contribution disclosure forms (PCDF) were not obtained and on file as required.

Recommendation – Continued efforts be made over purchasing procedures to ensure all contract awards and purchases are procured in accordance with the requirements of the Public School Contracts Law and State procurement guidelines.

Enterprise Funds

Food Service Fund

Due to the issues resulting from the COVID-19 pandemic the District did not operate the milk program for the 2020/2021 school year.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Student Body Activities

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

Cash receipts were deposited timely.

Cash disbursements had proper supporting documentation.

Finding 2021-002 – Formal monthly bank reconciliations were not performed for the Ridgedale Middle School Student Activity account. We noted numerous transactions posted to the QuickBooks Accounting System which were not reconciled to the Districts bank accounts for the 2020/2021 school year.

Recommendation – Formal bank reconciliations be performed monthly and balances verified to the QuickBooks Accounting System for the Ridgedale Middle School Student Activity account.

Finding 2021-003 – Our audit of the Brooklake Elementary School and the Ridgedale Middle School Student Activity accounts revealed instances where numerous deposits did not have sufficient supporting documentation. (i.e. pre-numbered receipt tickets and deposit slips).

Recommendation – All deposits in the Brooklake Elementary School and the Ridgedale Middle School Student Activity accounts contain sufficient supporting documentation (i.e. pre-numbered receipt tickets and deposit slips) as required by Board policy.

Application for State School Aid

Audit procedures included a test of information reported in the October 15, 2020 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. A review was performed of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with immaterial exception noted. The information that was included on the workpapers was verified without exception. The results of these 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 information that was included on the District report was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures 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.

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).

Management Suggestions

- Old invalid reconciling items on the Payroll and Payroll Agency accounts be reviewed and cleared of record, and any excess balances be reviewed and returned to the General Fund.
- A payroll check distribution verification be completed by the District prior to May 31, 2022.
- Proof of insurance be obtained from those District employees who waive health benefits coverage on an annual basis.

Follow-up on Prior Year Findings

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

**FLORHAM PARK BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MILKS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

**FOOD SERVICE FUND
COMPARISON OF NET CASH RESOURCES TO AVERAGE EXPENDITURES
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOT APPLICABLE

**FLORHAM PARK BOARD OF EDUCATION
 APPLICATOIN FOR STATE SCHOOL AID
 SCHEDULE OF AUDITED ENROLLMENTS
 OCTOBER 15, 2020**

	2021-22 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 to Register On Roll		Errors		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 4 years	2		2		-			2		2						
Full Day Preschool - 4 years	9		9		-			9		9						
Full Day Kindergarten	79		79		-			79		79						
1st Grade	93		93		-			93		93						
2nd Grade	103		103		-			103		103						
3rd Grade	118		118		-			118		118						
4th Grade	83		83		-			83		83						
5th Grade	86		86		-			86		86						
6th Grade	89		89		-			89		89						
7th Grade	94		94		-			94		94						
8th Grade	81		81		-			81		81						
Subtotal	837	-	837	-	-	-	-	837	-	837	-	-	-	-	-	-
Spec Ed - Elementary	73		73					14		14			1	1	1	-
Spec Ed - Middle School	49		49					10		10			1	1	1	-
Subtotal	122	-	122	-	-	-	-	24	-	24	-	-	2	2	2	-
Totals	959	-	959	-	-	-	-	861	-	861	-	-	2	2	2	-
Percentage Error					<u><u>0.00%</u></u>					<u><u>0.00%</u></u>					<u><u>0.00%</u></u>	

**FLORHAM PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2020**

	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 Kindergarten	1	1	-	1	1	-			-			-
1st Grade			-			-			-			-
2nd Grade	1	1	-	1	1	-			-			-
3rd Grade			-			-			-			-
4th Grade	1	1	-	1	1	-			-			-
5th Grade			-			-			-			-
6th Grade			-			-			-			-
7th Grade			-			-			-			-
8th Grade			-			-			-			-
Subtotal	3	3	-	3	3	-	-	-	-	-	-	-
Spec Ed - Elementary	1	-	1			-			-			-
Spec Ed - Middle School			-			-			-			-
Subtotal	1	-	1	-	-	-	-	-	-	-	-	-
Totals	4	3	1	3	3	-	-	-	-	-	-	-
Percentage Error			<u>25.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	119	119	-	20	20	-
Transported - Non-Public	2	2	-	1	1	-
Regular - Spec.	21	21	-	3	3	-
Special Needs - Public	11	11	-	1	1	-
Totals	153	153	-	25	25	-
			<u>0.00%</u>			<u>0.00%</u>

**FLORHAM PARK BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID
 SCHEDULE OF AUDITED ENROLLMENTS
 OCTOBER 15, 2020**

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Full Day Kindergarten			-			
1st Grade	4	4	-	4	4	
2nd Grade	1	1	-	1	1	
3rd Grade	1	1	-	2	2	
4th Grade	2	2	-	1	1	
5th Grade	1	1	-	1	1	
6th Grade			-			
7th Grade			-			
8th Grade	1	1	-	1	1	
Subtotal	<u>10</u>	<u>10</u>	<u>-</u>	<u>10</u>	<u>10</u>	<u>-</u>
Spec Ed - Elementary						
Spec Ed - Middle School						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>			
Totals	<u>10</u>	<u>10</u>	<u>-</u>	<u>10</u>	<u>10</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**FLORHAM PARK BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

SECTION 1 - Two Percent (4%) - Calculation of Excess Surplus

2020-2021 Total General Fund Expenditures	\$ 22,662,257	
Decreased by:		
On-Behalf TPAF Pension & Social Security	(3,352,046)	
Adjusted 2020-2021 General Fund Expenditures	<u>19,310,211</u>	
4% of Adjusted 2020-2021 General Fund Expenditures	<u>772,408</u>	
Enter Greater of 4% of Adjusted 2020-2021 General Fund Expenditures or \$250,000	772,408	
Increased by:		
Allowable Adjustment	<u>280,198</u>	
Maximum Unreserved/Undesignated Fund Balance		<u>\$ 1,052,606</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2021	\$ 3,805,152	
Decreased by:		
Year-End Encumbrances	\$ (299,812)	
Other Restricted Fund Balances - Capital Reserve	(1,651,077)	
Other Restricted Fund Balances - Maintenance Reserve	(50,000)	
Other Restricted Fund Balances - Emergency Reserve	(87,000)	
Other Restricted Fund Balances - Unemployment Compensation Reserve	(17,373)	
Other Restricted Fund Balances - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>(586,143)</u>	
		<u>(2,691,405)</u>
Total Unassigned Fund Balance for Excess Surplus Calculation		<u>\$ 1,113,747</u>

SECTION 3

Restricted Fund Balance - Excess Surplus		<u>\$ 61,141</u>
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Recapitulation of Excess Surplus as of June 30, 2021

Restricted Fund Balance - Excess Surplus		\$ 61,141
Restricted Fund Balance - Excess Surplus - Designated for Subsequent Year's Expenditures		<u>586,143</u>
Total Excess Surplus		<u>\$ 647,284</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 260,447	
Additional Nonpublic School Transportation Aid	<u>19,751</u>	
		<u>\$ 280,198</u>

**FLORHAM PARK BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

- * 1. Continued efforts be made over purchasing procedures to ensure all contract awards and purchases are procured in accordance with the requirements of the Public School Contracts Law and State procurement guidelines.

IV. Enterprise Funds

There are none.

V. Student Body Activities

It is recommended that:

2. Formal bank reconciliations be performed monthly and balances verified to the QuickBooks Account System in the Ridgedale Middle School Student Activity account.
3. All deposits in the Brooklake Elementary School and the Ridgedale Middle School Student Activity accounts contain sufficient supporting documentation (i.e. pre-numbered receipt tickets and deposit slips) as required by Board policy.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Miscellaneous

There are none.

IX. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all items except the item denoted with an asterisk (*).

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Jeffrey C. Bliss
Certified Public Accountant
Public School Accountant