

**AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
OF THE EAST NEWARK BOARD OF EDUCATION  
COUNTY OF HUDSON, NEW JERSEY  
JUNE 30, 2022**

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**REPORT OF INDEPENDENT AUDITORS**

Honorable President and  
Members of the Board of Education  
East Newark Board of Education  
East Newark, 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 East Newark Board of Education, in the County of Hudson, State of New Jersey for the year ended June 30, 2022, and have issued our report thereon dated March 2, 2023.

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 East Newark 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.

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March 2, 2023



**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 of the District's ACFR.

**Officials Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
R. Paul Vizzuso	School Business Administrator/ Board Secretary	\$150,000
Robert Clark	Treasurer of School Monies	\$150,000

There is an Employee Dishonesty Bond covering all employees in the amount of \$500,000.

**P.L. 2020, c.44**

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A. 18A:16-13.3 (Chapter 44) submitted for the year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The school district data certification was not completed by the chief school administrator. The school district Chapter 44 data was not submitted timely.

**Finding 2022-001:** The school district could not provide verification of submission for the Chapter 44 summary report.

**Recommendation:** The school district should maintain the data certification for the Chapter 44 summary report in accordance with N.J.S.A. 18A:16-13.3.

## **Administrative Practices and Procedures, (continued)**

**Finding 2022-002:** There were individuals that did not complete and/or timely file the required Financial Disclosure statements with the School Ethics Commission.

**Recommendation:** All required individuals should complete and file the required Financial Disclosure statements with the School Ethics Commission annually prior to April 30<sup>th</sup> or within 30 days of assuming office or position if newly elected or appointed as required by N.J.S.A. 18A:12-26.

## **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 2022-003:** There were instances in which invoices/supporting documentation was not available for review at the time of audit.

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

**Finding 2022-004:** The district maintained a credit card during 2021-2022 and the credit card account has not been closed as of the audit date.

**Recommendation:** The credit card account should be closed. Any purchases made by the district must comply with *N.J.S.A.* 18A:18A-1 et seq., the Public School Contracts Law. Pursuant to N.J.S.A. 18A:19-13 and *N.J.A.C.* 6A:23A-16.8, a district may establish a petty cash fund on July 1 of each year, or as needed, for the purpose of making immediate payments of comparatively small amounts. Large purchases should be made through the contractual order system.

### **Payroll Account**

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

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

**Finding 2022-005:** Supporting documentation that all payrolls were approved by the Superintendent and were certified by the President of the Board, Board Secretary, and the Chief School Administrator was not available for review at the time of audit.

**Recommendation:** That supporting documentation for approved payrolls be maintained and made available for review upon request as required by N.J.S.A. 18A:19-9.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

## **Financial Planning, Accounting and Reporting, (continued)**

### **Payroll Account, (continued)**

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

**Finding 2022-006:** 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 not made available at time of audit.

**Recommendation:** The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14.4 and submit the E-CERT1 if not yet submitted.

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 2022-007 (ACFR Finding 2022-002 and 2022-007):** The district charged salaries and wages to the program via year-end adjustment rather than charging the applicable amounts by pay period.

**Recommendation:** The district should apply employee salaries to the grant budget line(s) in conjunction with the employees being compensated through the payroll system for their time and effort contributed to the program. In addition, the district should maintain documentation that shows the distribution of salary and wages charged to grant awards based on actual employee activity as reflected in personnel activity reports prepared after-the-fact, that include the total activity for which employees were compensated.

**Finding 2022-008 (ACFR Finding 2022-004):** 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.

### **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.

**Finding 2022-009:** An inquiry and subsequent review of the Position Control Roster found incomplete information contained therein. The Position Control Roster lacked account codes, salary information, and other mandatory details as prescribed by N.J.A.C. 6A:23A-6.8.

**Recommendation:** That the Position Control Roster be updated and maintained with the mandatory detailed information as prescribed by N.J.A.C. 6A:23A-6.8.

## **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, 2022 for proper classification of orders as reserve for encumbrances and accounts payable.

**Finding 2022-010:** There were instance in which amounts were improperly recorded as encumbrances/accounts payable as of June 30, 2022.

**Recommendation:** Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered.

### **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, a transaction error rate of 0.00% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **Board Secretary's Records**

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

**Finding 2022-011:** There were numerous instances in which adopted budget appropriations did not agree to amounts recorded in the subsidiary ledgers.

**Recommendation:** More care should be taken to ensure all adopted budget appropriations are properly recorded in the subsidiary ledgers.

**Finding 2022-012 (ACFR Finding 2022-006):** The Board Secretary's and Treasurer's reports were not presented monthly to the board and were not submitted to the executive county superintendent as prescribed (N.J.S.A. 18A:17-9 and 18A:17-36). 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 and submitted to the executive county superintendent as prescribed. 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)**

### **Treasurer's Records**

The following items were noted during our review of the records of the Treasurer.

**Finding 2022-013:** There were instances in which the Treasurer's records were not in agreement with the records of the Board Secretary.

**Recommendation:** The Treasurer should reconcile cash records with the reconciled bank statements and the cash records of the Board Secretary on a monthly basis.

### **Fixed Assets**

**Finding 2022-014 (ACFR Finding 2022-001):** 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.

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

The E.S.E.A./ESSA financial exhibits contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title I, Title II, Title III and Title 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 K-3 and Schedule K-4 located in the ACFR.

Our audit of the federal and state funds on a test basis, indicated that obligation and expenditures were incurred during the fiscal year or project year for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR 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.



## **Financial Planning, Accounting and Reporting, (continued)**

### **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.

**Finding 2022-015:** The district did not reimburse the state for the employer share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs for the 2020-21 school year as required by N.J.S.A. 18A:66-90.

**Recommendation:** That more care be taken to ensure that the district reimburse the state for the employer share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs as required by N.J.S.A. 18A:66-90.

### **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, 2020 and thereafter, 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 \$20,200.

## **School Purchasing Programs, (continued)**

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.

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

**Finding 2022-016 (ACFR Finding 2022-005 and 2022-009):** 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.

## **School Food Service**

### **Public Health Emergency**

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency, 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 eligible students during the period of school closures. Governor Murphy's emergency declaration ended June 4, 2021; however, the United States Department of Agriculture's federal waiver continued through June 30, 2022. Food Service Agencies operated under this federal waiver.

As a result, School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO). SFAs could also choose to participate in the National School Lunch Program utilizing standard counting and claiming practices.

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 all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 students during the emergency.

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.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. Exceptions were not noted.

## **School Food Service, (continued)**

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. Exceptions were not noted.

We also inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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 if the FSMC received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

The number of meals claimed for reimbursement was verified against 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.

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced priced meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced meal policy is uniformly administered throughout the School System. The required verification procedures for free applications was completed and available for review.

**Finding 2022-017:** There were two months in which reimbursement claims to the New Jersey Department of Agriculture were not submitted.

**Recommendation:** All reimbursement claims to the New Jersey Department of Agriculture must be completed in a timely manner to ensure all eligible reimbursements are approved.

Expenditures were separately recorded for food purchases and other costs.

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.

U.S.D.A. commodities were not received; therefore a separate inventory was not maintained.

The SFA recorded and maintained separate supporting documentation for additional costs (food, supplies, transportation, etc.) applicable to the implementation of the COVID-19 meal service under SSO or SFSP program requirements.

The FSMC did not apply for an receive a loan in accordance with the Payroll Protection Plan.

**Finding 2022-018:** The District's Net Cash Resources exceeded three months average expenditures.

**Recommendation:** That the District take steps to improve the nonprofit school food service program to reduce the Net Cash Resources.

## **School Food Service, (continued)**

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

## **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, 2021 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information included as part of the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollment.

The District maintained workpapers on the prescribed state forms or their equivalents.

**Finding 2022-019 (ACFR Finding 2022-003 and 2022-008):** 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.

**Finding 2022-020 (ACFR Finding 2022-003 and 2022-008):** There were instances in which the workpapers provided by the District were not in agreement with what was reported on the 2022-2023 ASSA Data Listing. The following errors were noted in the following categories: Low Income (2), Resident LEP Low Income (7) and Resident Limited English Proficient not Low Income (-7). In addition, our test work revealed errors in the following categories: Private School (3), Resident LEP Low Income (11), and Low Income (1).

**Recommendation:** The District should revise workpapers to reflect corrections made during the review process prior to entering the counts into the ASSA Data Listing to ensure the workpapers agree to what is reported.

The District's written procedures appear to be adequate for the recording of student enrollment data.

**Pupil Transportation**

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 purchase of buses were in compliance with applicable statutes. 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 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).

**Status of Prior Year Audit Findings/Recommendation**

A review was performed on all prior year recommendations and corrective action was taken on all, 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*

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No. CS00816

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SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF EAST NEWARK SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2021**

Year Ended June 30, 2022

Enrollment Category	2022-2023 Application for State School Aid						Sample for Verification			Private Schools for Disabled						
	Reported on ASA		Workpapers		Errors		Sample		Verified	Errors per		Reported on	Sample			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	per Registers On Roll	Full	Shared	Private Schools	for Verification	Sample Verified	Sample Errors	
Half Day Preschool	18		18				18		18							
Full Day Preschool	25		25				25		25							
Half Day Kindergarten	18		18				18		18							
One	11		11				11		11							
Two	15		15				15		15							
Three	15		15				15		15							
Four	19		19				19		19							
Five	27		27				27		27							
Six	21		21				21		21							
Seven	19		19				19		19							
Eight																
Nine																
Ten																
Eleven																
Twelve																
Subtotal	188		188				188		188							
Special Ed. Elementary	13		13				11		11			2	2	1	1	
Special Ed. Middle	6		6				5		5			1	1	1	1	
Special Ed. High School												2	1	1	1	
Subtotal	19		19				16		16			5	4	1	3	
Totals	207		207				204		204			5	4	1	3	
Percentage Error																75%



**BOROUGH OF EAST NEWARK  
BOARD OF EDUCATION**

**SCHEDULE OF AUDITED ENROLLMENTS**

Application for State School Aid Summary  
Enrollment as of October 15, 2021

Year ended June 30, 2022

Enrollment category	Resident LEP Not Low Income		Sample for Verification		
	Reported on A.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
Half Day Preschool					
Full Day Preschool					
Half Day Kindergarten					
Full Day Kindergarten					
One		1	(1)	1	1
Two					
Three					
Four		1	(1)	1	1
Five		1	(1)	1	1
Six		1	(1)	1	1
Seven		3	(3)	2	2
Eight					
Special Ed. Elementary					
Special Ed. Middle School					
<b>Totals</b>		<u>7</u>	<u>-7</u>	<u>6</u>	<u>6</u>
<b>Percentage</b>			<u>-100.00%</u>		



**EAST NEWARK BOARD OF EDUCATION**  
**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

**A. 4% Calculation of Excess Surplus**

2021-22 Total General Fund Expenditures per the ACFR, Ex. C-1	\$	<u>6,088,869</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u>                    </u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>                    </u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$	<u>                    </u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$	<u>                    </u>	(B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>602,278</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u>                    </u>	(B2b)
Adjusted 21-22 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$	<u>5,486,591</u>	(B3)
4% of Adjusted 2021-22 General Fund Expenditures [(B3) times .04]	\$	<u>219,464</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>250,000</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>                    -</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u>                    250,000</u>	(M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-22 (Per ACFR Budgetary Comparison Schedule C-1))	\$	<u>3,362,349</u>	(C)
Decreased by:			
Year-end Encumbrances	\$	<u>111,472</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$	<u>                    </u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>1,247,021</u>	(C3)
Other Restricted Fund Balances****	\$	<u>914,966</u>	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$	<u>110,718</u>	(C5)
Total Unassigned Fund Balance [( C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$	<u>                    978,172</u>	(U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus\*\*\* [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 728,172 (E)

**Recapitulation of Excess Surplus as of June 30, 2022**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>1,247,021</u> (C3)
Reserved Excess Surplus ***[(E)]	\$ <u>728,172</u> (E)
Total [(C3) + (E)]	\$ <u>1,975,193</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

(J5) Maintenance of Equity Aid and State Military Impact Aid received July 2022

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	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Maintenance of Equity Aid and State Military Impact Aid received July 2022	\$ _____ (J5)
<b>Total Adjustments [(H)+ (I)+(J1)+(J2)+(J3)+(J4)+(J5)]</b>	<b>\$ _____ - (K)</b>

\*\* This amount represents the June 30, 2022 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amounts must agree to the June 30, 2022 ACFR 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 an other 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>914,966</u>
Maintenance Reserve	\$ _____
Emergency Reserve	\$ _____
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	\$ _____
Reserve for Unemployment Fund	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
 Total Other Restricted Fund Balance	 \$ <u>914,966</u> (C4)

**EAST NEWARK BOARD OF EDUCATION  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Recommendations:

1. Administrative Practices and Reporting

The NJDOE P.L. 2020, Ch. 44 Summary report and the data certification should be maintained and made available for review upon request.

All required individuals should complete and file the required Financial Disclosure statements with the School Ethics Commission annually prior to April 30<sup>th</sup> or within 30 days of assuming office or position if newly elected or appointed as required by N.J.S.A. 18A:12-26.

2. Financial Planning, Accounting and Reporting

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

The credit card account should be closed. Any purchases made by the district must comply with *N.J.S.A. 18A:18A-1 et seq.*, the Public School Contracts Law. Pursuant to *N.J.S.A. 18A:19-13* and *N.J.A.C. 6A:23A-16.8*, a district may establish a petty cash fund on July 1 of each year, or as needed, for the purpose of making immediate payments of comparatively small amounts. Large purchases should be made through the contractual order system.

That supporting documentation for approved payrolls be maintained and made available for review upon request as required by N.J.S.A. 18A:19-9.

The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14.4 and submit the E-CERT1 if not yet submitted.

The district should apply employee salaries to the grant budget line(s) in conjunction with the employees being compensated through the payroll system for their time and effort contributed to the program. In addition, the district should maintain documentation that shows the distribution of salary and wages charged to grant awards based on actual employee activity as reflected in personnel activity reports, prepared after-the-fact, that include the total activity for which employees were compensated.

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

That the Position Control Roster be updated and maintained with the mandatory detailed information as prescribed by N.J.A.C. 6A:23A-6.8.

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered.

More care should be taken to ensure all adopted budget appropriations are properly recorded in the subsidiary ledgers.

**EAST NEWARK BOARD OF EDUCATION  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Recommendations (continued):

2. Financial Planning, Accounting and Reporting (continued)

The Board Secretary's and Treasurer's reports should be presented monthly to the board and submitted to the executive county superintendent as prescribed. 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 Treasurer should reconcile cash records with the reconciled bank statements and the cash records of the Board Secretary on a monthly basis.

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

That more care be taken to ensure that the district reimburse the state for the employer share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs as required by N.J.S.A 18A:66-90.

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

All reimbursement claims to the New Jersey Department of Agriculture must be completed in a timely manner to ensure all eligible reimbursements are approved.

That the District take steps to improve the nonprofit school food service program to reduce the Net Cash Resources.

5. Student Body Activities

None

**EAST NEWARK BOARD OF EDUCATION  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Recommendations (continued):

6. Application for State School Aid

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.

The District should revise workpapers to reflect corrections made during the review process prior to entering the counts into the ASSA Data Listing to ensure the workpapers agree to what is reported.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. 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.