

Auditor's Management Report

for the

*Borough of Hawthorne
School District*

in the

*County of Passaic
New Jersey*

for the

*Fiscal Year Ended
June 30, 2023*

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Hawthorne Board of Education
Hawthorne, New Jersey 07506

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Borough of Hawthorne School District in the County of Passaic for the year ended June 30, 2023, and have issued our report dated February 7, 2024.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Borough of Hawthorne School District, County of Passaic, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 7, 2024

Independent Auditor's Management Report of Administrative Findings – Financial and Compliance

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the activities of the Borough of Hawthorne - Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

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

Official Bonds (N.J.S.A. 18A:17-26, 17-32)

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Cheryl Ambrose	Business Administrator/Board Secretary	\$300,000.00

There is a Public Employees' Blanket Position Bond with Selective Insurance Company covering all other employees with multiple coverage of \$100,000.

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 fiscal year of audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by the school district. The school district data certification was completed by the chief school administrator and was submitted timely.

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Independent Auditor's Management Report of Administrative Findings – Financial and Compliance

Financial Planning, Accounting and Reporting (Continued)

Payroll Accounts

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

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

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

Payrolls were delivered to the secretary of the board with a warrant made to her order for the full amount of each payroll.

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.

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 reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer.

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

Treasurer's Records

The records maintained by the Treasurer were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

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 ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title I and Title VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 located in the ACFR.

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 ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects.

2023-01 Finding: We noted that there was no reconciliation between what was recorded on the Districts' accounting records for federal grant expenditures and what was draw down for reimbursement on the State of New Jersey, Department of Education, Office of Grant Management EWEG system.

2023-01 Recommendation: That the District reconcile what was recorded on the Districts' accounting records for Federal grant expenditures with what was drawn down for reimbursement on the State of New Jersey, Department of Education, Office of Grant Management EWEG system.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund.

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

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

The Board of Education may, by resolution, approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2021, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$32,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$44,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$20,200.00.

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

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

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal however, that the district made purchases through the use of state contracts.

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

School Food Service

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 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. No exceptions were noted.

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 or indirect costs. There were no exceptions noted.

We 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; modification 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 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 cost reimbursable fixed price or non-competitive emergency procurement contract/addendum were reviewed and audited. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

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.

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

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

School Food Service (Continued)

2023-02 Finding: Net cash resources exceeded three months average expenditures.

2023-02 Recommendation: That the District take appropriate action to ensure that the net cash resources do not exceed three months average expenditures.

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2022 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 that was included on the workpapers was verified with minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district had written procedures for the recording of student enrollment.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2022-2023 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Capital Assets and Facilities

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

Miscellaneous

The school district adhered to 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 District submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

Follow-Up Prior Year's Audit Findings

Corrective action has been taken on all prior year findings.

HAWTHORNE BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENTS of 10/14/2022

	2023-2024 Application for State School Aid (10/15/2022 data)						Sample for Verification						Private School for Disabled											
	Reported as on Roll			Reported on Workpapers on Roll			Errors			Sample Selected from Workpapers			Registers on Roll			Registers on Roll			A.S.S.A. as Reported on Sample for			Sample Errors		
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Private Schools	Verifi- cation	Sample Verified	Sample Errors		
Half Day Preschool - 3 Yr	9			9			-				1	1						0	0	0	0	-		
Half Day Preschool - 4 Yr	8			8			-				1	1						0	0	0	0	-		
Full Day Kindergarten	162			162			-				21	21						0	0	0	0	-		
One	143			143			-				19	19						0	0	0	0	-		
Two	141			141			-				18	18						0	0	0	0	-		
Three	139			139			-				18	18						0	0	0	0	-		
Four	152			152			-				20	20						0	0	0	0	-		
Five	143			143			-				19	19						0	0	0	0	-		
Six	132			132			-				17	17						0	0	0	0	-		
Seven	151			151			-				20	20						0	0	0	0	-		
Eight	159			159			-				21	21						0	0	0	0	-		
Nine	118			118			-				15	15						0	0	0	0	-		
Ten	112			112			-				15	15						0	0	0	0	-		
Eleven	145			145			-				19	19						0	0	0	0	-		
Twelve	113			113			-				15	15						0	0	0	0	-		
Subtotal	1,827			1,827			0				239	239						0	0	0	0	0		
Sp. Ed - Elementary	171	0		171	0		-				22	22	0					4	3	3	3	-		
Sp. Ed - Middle School	75	0		75	0		-				10	10	0					2	2	2	2	-		
Sp. Ed - High School	115	0		115	0		-				15	15	0					18	15	15	15	-		
Subtotal	361	0		361	0		0				47	47	0	0	0	0	0	24.0	20	20	20	0		
Co. Voc. - Regular	0	0		0	0		-				0	0	0					0	0.0	0.0	0	-		
Co. Voc. Ft. Post Sec.	0	0		0	0		-				0	0	0					0	0.0	0.0	0	-		
Totals	2,188	0		2,188	0		0				286	286	0	0	0	0	0	24.0	20	20	20	0		
Percentage Error							0.00%											0.00%	0.00%	0.00%	0.00%	0.00%		

**HAWTHORNE BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENTS of 10/14/2022**

	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	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP low Income	Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day Preschool - 3 Yr	49	49	16	16	4	4	3	3
Half Day Preschool - 4 Yr	47	47	15	15	6	6	5	5
Full Day Kindergarten	53	53	17	17	6	6	5	5
One	46	46	15	15	4	4	3	3
Two	44	44	14	14	2	2	2	2
Three	45	45	14	14	0	0	0	0
Four	37	37	12	12	2	2	2	2
Five	50	50	16	16	2	2	2	2
Six	59	59	19	19	7	7	6	6
Seven	33	33	10	10	1	1	1	1
Eight	42	42	13	13	3	3	3	3
Nine	38	38	12	12	7	7	6	6
Ten	22	22	7	7	0	0	0	0
Eleven	565.0	565.0	180	180	44	44	38	38
Twelve	0.0	0.0	0	0	0	0	0	0
Subtotal								
Sp. Ed - Elementary	82	82	26	26	0	0	0	0
Sp. Ed - Middle School	36	36	11	11	0	0	0	0
Sp. Ed - High School	48	48	15	15	1	1	1	1
Subtotal	166.0	166.0	52	52	1.0	1.0	1.0	1.0
DYFS Residential Center	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Totals	731.0	731.0	232	232	45.0	45.0	39.0	39.0
Percentage Error	0.00%	0.00%			0.00%	0.00%		0.00%

Transportation			
Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified
Reg. - Public Schools, col. 1	231	132	132
Reg - SpEd col. 4	13	12	12
Transported - Non-Public, col. 5	184	115	115
Special Ed Spec, col. 6	106	81	81
Totals	534	340	340
Percentage Error	0.00%		

	Reported	Recalculated
Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)	4.7	4.7
Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part B)	4.7	4.7
Spec Avg. = Special Ed with Special Needs	5.1	5.1

HAWTHORNE BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENTS of 10/14/2022

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool - 3 Yr	4	4	-	3	3	-
Half Day Preschool - 4 Yr	1	1	-	1	1	-
Full Day Kindergarten	3	3	-	3	3	-
One	2	2	-	2	2	-
Two	2	2	-	2	2	-
Three	1	1	-	1	1	-
Four	2	2	-	2	2	-
Five	2	2	-	2	2	-
Six	6	6	-	5	5	-
Seven	2	2	-	2	2	-
Eight	5	5	-	4	4	-
Nine	4	4	-	3	3	-
Ten	4	4	-	3	3	-
Eleven	4	4	-	3	3	-
Twelve	4	4	-	3	3	-
Subtotal	40	40	0	34	34	0
Special Ed - Elementary	0	-	-	0	0	-
Special Ed - Middle	0	-	-	0	0	-
Special Ed - High	2	2	-	2	2	-
Subtotal	2	2	0	2	2	0
Co. Voc. - Regular	-	-	-	0	0	-
Co. Voc. Ft. Post Sec.	-	-	-	0	0	-
Totals	42.0	42	0.0	36.0	36	0
Percentage Error			0.00%			0.00%

HAWTHORNE SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

REGULAR DISTRICT

SECTION 1

4% Calculation of Excess Surplus

2022 - 2023 Total General Fund Expenditures per the ACFR, Ex. C-1	\$ 56,704,601.05	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 9,739,720.20	
Adjusted 2022 - 2023 General Fund Expenditures		\$ <u>46,964,880.85</u>
2% of Adjusted 2022 - 2023 General Fund Expenditures		\$ <u>939,297.62</u>
Greater of Line Above or \$250,000.00		\$ <u>939,297.62</u>
Increased by: Allowable Adjustment		\$ <u>1,019,539.00</u>
Maximum Unreserved/Undesignated Fund Balance		\$ <u><u>1,958,836.62</u></u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-2023	\$ 11,172,093.61	
Decreased by:		
Year-End Encumbrances	\$ 792,133.06	
Semi Supplemental FFCRA- Designated for Subsequent Year's Expenditures	\$ 14,628.29	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ 475,232.45	
Other Restricted Fund Balances	\$ 6,510,488.19	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ 56,115.55	
Total Unassigned Fund Balance		\$ <u>3,323,496.07</u>

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u>1,364,659.45</u>
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Recapitulation of Excess Surplus as of June 30, 2023

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 475,232.45
Restricted Excess Surplus	\$ <u>1,364,659.45</u>
Total Excess Surplus	\$ <u><u>1,839,891.90</u></u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 962,131.00
Additional Non-Public School Transportation Aid	<u>57,408.00</u>
	\$ <u><u>1,019,539.00</u></u>

Detail of Other Restricted Fund Balance:

Capital Reserve	\$ 3,756,467.00
Reserve for Unemployment Fund	247,198.30
Maintenance Reserve	<u>2,506,822.89</u>
	\$ <u><u>6,510,488.19</u></u>

Independent Auditor's Management Report of Administrative Findings – Financial and Compliance

Recommendations

1. **Administrative Practices and Procedures**

None

2. **Financial Planning, Accounting and Reporting**

2023-01 Recommendation: That the District reconcile what was recorded on the Districts' accounting records for Federal grant expenditures with what was drawn down for reimbursement on the State of New Jersey, Department of Education, Office of Grant Management EWEG system.

3. **School Purchasing Program**

None

4. **School Food Service**

2023-02 Recommendation: That the District take appropriate action to ensure that the net cash resources do not exceed three months average expenditures.

5. **Student Body Activities**

None

6. **Application for State School Aid**

None

7. **Pupil Transportation**

None

8. **Capital Assets and Facilities**

None

9. **Miscellaneous**

None

10. **Status of Prior Year's Findings/Recommendations**

None

