

**KEARNY BOARD OF EDUCATION
INDEPENDENT AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2023**

**KEARNY BOARD OF EDUCATION
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Independent Auditor's Management Report	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4
School Food Service	5
Student Activity Funds/Athletic Association	5
Application for State School Aid	5
Pupil Transportation	6
Facilities and Capital Assets	6
Miscellaneous	6
Suggestions to Management	6
Schedule of Meal Count Activity – Not Applicable	7
Schedule of Net Cash Resources – Not Applicable	8
Schedule of Audited Enrollments	9-11
Calculation of Excess Surplus	12
Recommendations	13

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA
MARK SACO, CPA
ROBERT LERCH, CPA, PSA
CHRISTOPHER VINCI, CPA, PSA
CHRISTINA CUIFFO, CPA, PSA
JOHN CUIFFO, CPA


INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
Kearny Board of Education
172 Midland Avenue
Kearny, New Jersey 07032

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 Kearny Board of Education as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated November 27, 2023.

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 solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.



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



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 27, 2023

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

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

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Juan Faciolince	School Business Administrator/ Board Secretary	\$500,000
Marie Criscuolo	Treasurer of School Monies	\$500,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Insurance covering all other employees with multiple coverage 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 data submitted did include all health benefit plans offered by school district. The school district data certification was completed by the Chief School Administrator. The school district submitted the Chapter 44 data in a timely manner.

Financial Planning Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated that the required signatures, certifications and supporting documentation were obtained on the respective purchase orders and/or vouchers.

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 certified by the President of the Board, the School Business Administrator/Board Secretary and Chief School Administrator.

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

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Financial Planning Accounting and Reporting (Continued)

Year-End 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:23-16.2(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 additional testing was deemed necessary to test the propriety of expenditure classifications.

Travel Policy

The District has an approved Board travel policy as required by NJAC 6A:23A-6.13 and NJSA 18A:11-12.

Board Secretary's and Treasurer's Records

The financial records and books of account are maintained by the School Business Administrator.

Acknowledgment of the Board's receipt of the monthly financial reports was included in the official minutes of the Board.

The prescribed contractual order system was followed.

The Treasurer and Board Secretary's records are in agreement with each other.

Finding 2023-001 – The District's financial statements did not include the escrow account for the HVAC lease purchase capital project. The balance of the account at June 30, 2023 was \$5,074,036. An audit adjustment was made to record the transactions of the lease purchase account.

Recommendation – All escrow/lease purchase account transactions and balances be included in the District's internal financial accounting records and monthly Board Secretary reports.

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 ACFR. This section of the ACFR documents the financial position pertaining to projects under Title I, Title II, Title III and Title IV of the Elementary and Secondary Education Act as amended and re-authorized.

Our examination 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 Exhibit K-4 located in the ACFR.

Our audit indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Nonpublic project completion reports were finalized and transmitted to the State by the due date.

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.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Financial Planning Accounting and Reporting (Continued)

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditures charged to the current year's final reports for all Federal awards for the 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 sixty day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) 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. The School Business Administrator is not a Qualified Purchasing Agent, thereby, reducing the threshold to \$32,000.

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 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.

Based on the results of our examination, we did note that individual payments, contracts, or agreements made for the performance of any work or goods or services were in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision 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 purchases were made through the use of State contracts.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

School Food Service

School Food Authorities (“SFA”) 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 SFA’s 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.

SFA’s 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.

The school food service program was not selected as a major federal or state program. However, the program expenditures exceeded \$100,000 in federal support. Accordingly, we inquired of school management and school food service personnel as to whether there were any Child Nutrition Program reimbursement overclaims or underclaims. Exceptions were noted as follows:

Finding 2023-002 – The District did not file Summer Food Service reimbursement requests totaling \$34,843.

Recommendation – Procedures be implemented to ensure that all claims for Food Service reimbursements are submitted to the Department of Agriculture in a timely manner.

We also inquired of school management as to whether the SFA’s expenditures of school food service revenues were limited to allowable direct and indirect costs.

The financial transactions and statistical records of the school food service fund were reviewed.

The FSMC did apply for and receive a loan in accordance with the Payroll Protection Plan and did not use the funds to pay for costs applicable to the Food Service Programs. The PPP loan was subsequently forgiven and the FSMC refunded the District their pro-rate share during 2022-23.

The Food Service management company did provide the USDA mandated Non-Program Food Revenue Tool.

Food Distribution Program commodities were received and a single inventory was maintained on first-in, first-out basis. Exhibits reflecting Child Nutrition Program operations are included in the ACFR on Exhibits B-4, B-5 and B-6.

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

Student Activity Funds/Athletic Association

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

Cash receipt and disbursement records were maintained for student activity and athletic accounts.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2022 Application for State School Aid (ASSA) 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 immaterial exceptions noted. The information that was included on the application was verified with immaterial exceptions noted. The results are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed State forms or their equivalent. The district written procedures appear to be adequate for the recording of student enrollment data.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 Report without exceptions. 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 exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our audit procedures included a review of the District's capital asset accounting system.

Finding 2023-003 – Our audit noted that the District's capital asset accounting records did not include certain architect and engineering costs as well as the costs for the window and door projects. In addition, the report provided by the appraisal company included \$11.3 million of costs and the related depreciation expense of capital projects that had not been expended as of June 30, 2023.

Recommendation – The District implement procedures to ensure that amounts included in the capital asset appraisal report are for costs incurred as of June 30. Furthermore, the independent appraisal report be reconciled with District's internal accounting records.

Miscellaneous

The School District complied with continuing disclosure agreements made in relation to the District's outstanding bond issuances.

The District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 relating to the testing for lead of all drinking water in educational facilities. The annual Statement of Assurance was submitted to the Department of Education pursuant to N.J.A.C. 6A:26-12.4(g).

Suggestions to Management

- Consideration be given to consolidate the various scholarship bank accounts.
- Capital Projects Fund grant receivables be reviewed and cleared of record.
- A formal policy for the use of store cards be developed and adopted by the Board.

**KEARNY BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
NUMBER OF MEALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOT APPLICABLE

**KEARNY BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOT APPLICABLE

**KEARNY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2022
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Errors</u>	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Errors</u>
	<u>A.S.S.A as</u>	<u>Workpapers as</u>					<u>A.S.S.A as</u>	<u>Workpapers as</u>				
	<u>Low</u>	<u>Low</u>		<u>Workpapers</u>	<u>and Register</u>		<u>Low Income</u>	<u>Income</u>		<u>Worpapers</u>	<u>and Register</u>	
Full Day Kindergarten	180	180	-	4	4		46	46		5	5	
Grade 1	193	193		4	4		55	55		6	6	
Grade 2	194	194		4	4		52	52		6	6	
Grade 3	211	211		4	4		48	48		6	6	
Grade 4	199	199		4	4		42	42		5	5	
Grade 5	217	217		5	5		37	37		4	4	
Grade 6	222	222		5	5		27	27		3	3	
Grade 7	221	221		5	5		37	37		4	4	
Grade 8	200	199	1	4	3	1	27	27		3	3	
Grade 9	263	263		5	5		46	46		5	4	1
Grade 10	207	207		4	4		41	41		5	5	
Grade 11	217	217		5	5		30	30		4	4	
Grade 12	199	199	-	4	4	-	24	24	-	3	3	-
Subtotal	<u>2,723</u>	<u>2,722</u>	<u>1</u>	<u>57</u>	<u>56</u>	<u>1</u>	<u>512</u>	<u>512</u>	<u>-</u>	<u>59</u>	<u>58</u>	<u>1</u>
Special Ed - Elementary	333	332	1	7	7		25	25		3	3	
Special Ed - Middle	159	160	(1)	3	3		6	6		1	1	
Special Ed - High	198	198	-	4	4	-	2	2	-	1	1	-
Subtotal	<u>690</u>	<u>690</u>	<u>-</u>	<u>14</u>	<u>14</u>	<u>-</u>	<u>33</u>	<u>33</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
Juvenile Comm Ctr / Detention Ctr	2	2	-									
Totals	<u>3,415</u>	<u>3,414</u>	<u>1</u>	<u>71</u>	<u>70</u>	<u>1</u>	<u>545</u>	<u>545</u>	<u>-</u>	<u>64</u>	<u>63</u>	<u>1</u>
Percentage Error			<u>0.03%</u>			<u>1.41%</u>			<u>0.00%</u>			<u>1.56%</u>

	<u>Transportation</u>					
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
	<u>DRTRS by</u>	<u>DRTRS by</u>				
	<u>DOE/County</u>	<u>District</u>				
Special Ed Without Special Need	141.0	141.0	-	36.0	36.0	-
Special Ed With Special Need	65.0	65.0	-	17.0	17.0	-
	<u>206.0</u>	<u>206.0</u>	<u>-</u>	<u>53.0</u>	<u>53.0</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**KEARNY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2022
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Sample Verified to Register	Errors
Full Day Kindergarten	25	25		5	5	
Grade 1	20	20		5	5	
Grade 2	15	15		3	3	
Grade 3	27	27		6	6	
Grade 4	6	6		1	1	
Grade 5	15	15		3	3	
Grade 6	13	13		3	3	
Grade 7	10	10		2	2	
Grade 8	17	17		4	4	
Grade 9	22	22		5	5	
Grade 10	29	29		7	7	
Grade 11	29	29		7	7	
Grade 12	11	11	-	3	3	-
Subtotal	<u>239</u>	<u>239</u>	-	<u>54</u>	<u>54</u>	-
Special Ed - Elementary	13	13		3	3	
Special Ed - Middle	3	3		1	1	
Special Ed - High			-			-
Subtotal	<u>16</u>	<u>16</u>	-	<u>4</u>	<u>4</u>	-
Total	<u>255</u>	<u>255</u>	-	<u>58</u>	<u>58</u>	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**KEARNY BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

2022-2023 Total General Fund Expenditures per the ACFR		\$ 132,910,333
Increased by:		
Transfer to Special Revenue Fund		944,714
		133,855,047
Decreased by:		
Capital Financing Agreement	\$ 733,277	
IT Subscription Arrangements	1,013,635	
On-Behalf TPAF Pension & Social Security	24,623,166	
		26,370,078
Adjusted 2022-2023 General Fund Expenditures		\$ 107,484,969
2% of Adjusted 2022-2023 General Fund Expenditures		
Allowable Adjustments - Extraordinary Aid		\$ 2,149,699 574,214
Maximum Unassigned Fund Balance		\$ 2,723,913
Total General Fund - Fund Balance at June 30, 2023		
		\$ 34,554,397
Decreased by:		
Nonspendable Prepaids		1,408,574
Year End Encumbrances		2,083,008
Other Restricted Fund Balances - Capital Reserve		22,364,603
Other Restricted Fund Balances - Maintenance Reserve		4,160,408
Other Restricted Fund Balances - Adult Education Programs		63,602
Other Restricted Fund Balances - Unemployment Compensation Reserve		927,223
Designated for Subsequent Year's Budget		823,066
Total Unassigned Fund Balance		\$ 2,723,913
Amount Below Maximum Unassigned Fund Balance		\$ 0

**KEARNY BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

1. It is recommended that all escrow/lease purchase account transactions and balances be included in the District's internal financial accounting records and monthly Board Secretary reports.

III. School Purchasing Program

There are none.

IV. School Food Service

2. It is recommended that procedures be implemented to ensure that all claims for Food Service reimbursements are submitted to the Department of Agriculture in a timely manner.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

3. It is recommended that the district implement procedures to ensure that amounts included in the capital asset appraisal report are for costs incurred as of June 30. Furthermore, the independent appraisal report be reconciled with District's internal accounting records.

IX. Status of Prior Years' Audit Findings/Recommendations

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