

VERONA BOARD OF EDUCATION
COUNTY OF ESSEX
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023

VERONA BOARD OF EDUCATION
COUNTY OF ESSEX
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023
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November 22, 2023

The Honorable President and Members
of the Board of Education
Verona Board of Education
County of Essex, 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 financial statements of the Verona Board of Education in the County of Essex for the fiscal year ended June 30, 2023, and have issued our report thereon November 22, 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 letter does not affect our report dated November 22, 2023, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments, suggestions and recommendation with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This report is intended for the information of the Verona 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.

NISIVOCCIA LLP


Raymond A. Sarinelli
Licensed Public School Accountant #2549
Certified Public Accountant

VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's ACFR.

Officials in Office and Surety Bonds

There is a Blanket Employee Dishonesty Bond with the Morris Essex Insurance Group covering all other employees with multiple coverage of \$500,000.

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Mathew Laracy	Treasurer	\$ 275,000
Jorge Cruz	Business Administrator/Board Secretary	275,000

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 the school district.

The school district data certification was completed by the chief school administrator. The school district Chapter 44 data was submitted timely.

The data certification date does not reflect a submission date later than 60 days after the end of the enrollment period.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C.6:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster

The net salaries of 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. Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the General Fund.

All payrolls were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrators and the Chief School Administrator. Payrolls were delivered to the Treasurer of School Monies with a warrant to his order for the full amount of the payroll. Based on these procedures, we have no comments.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures – General and Administrative

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 reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A-23A-8.2. Overall compliance was noted.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have two comments.

Finding 2023-001:

During our review of the Board Secretary's records, we noted that the proprietary funds and local grants in the special revenue fund are not properly recorded in the District's accounting systems.

Recommendation:

It is recommended that the proprietary funds and local grants in the special revenue fund be properly recorded through the District's accounting systems.

Management's Response:

The District will ensure that all accounts are properly recorded in the District's accounting systems.

VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

No Child Left Behind (N.C.L.B.) 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 District's ACFR. This section of the ACFR documents the financial position pertaining to projects under Titles I, II, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

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.

The District's Special Projects were approved as listed on Schedule A and Schedule B 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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements 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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2022. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.

If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. 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.

VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

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 therefore, except as is provided otherwise in this chapter or specifically by any other law"

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 \$20,200 for 2022-23.

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 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. General compliance was noted.

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 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.

School Food Service

The District did not participate in the Child Nutrition Program and thus did not receive any related state or federal assistance.

VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Student Activities records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Application for State School Aid

Our audit procedures included a test of enrollments reported in the October 15, 2022 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual education, 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 without exception. The information that was included on the workpapers was verified on a test basis without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District did maintain 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 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. No exceptions were noted in our review of transportation related purchases of goods and services.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to ensure that the maximum is not exceeded.

The regulations also require that all travel be preapproved by the Board of Education and that the approval must be itemized by event, event total cost, and individuals attending. Overall compliance was noted.

Testing for Lead of all Drinking Water in Educational Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Management Suggestions:

COVID-19 Federal Funding

It is likely that the District will undergo some review of its COVID-19 federal funding if only at a desk review level by state and/or federal agencies. We strongly suggest that the District ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the District ensures that these funds are accounted for in the state account numbers designated by the NJ Department of Education and that any applicable Board policies are current with respect to federal grant requirements.

VERONA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2023
(Continued)

Status on Prior Year Finding/Recommendation

The prior year recommendations regarding that purchase orders be approved prior to the order of the related goods and services and reviewing the new accounting system to ensure information is being properly recorded were resolved in the current year. The prior year recommendation regarding the proprietary funds being properly recorded through the District's accounting system was not resolved and is included as a current year recommendation.

VERONA BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2022

	2023-2024 Application for State School Aid						Sample for Verification					
	Reported on			Reported on			Sample			Verified per		
	ASSA		Workpapers	On Roll		Errors	Selected from		Registers		Errors	
Full	Shared	On Roll	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 Years Old	7		7				7		7			
Half Day Preschool 4 Years Old	3		3				3		3			
Full Day Kindergarten	155		155				155		155			
Grade One	148		148				148		148			
Grade Two	137		137				137		137			
Grade Three	144		144				144		144			
Grade Four	129		129				129		129			
Grade Five	154		154				154		154			
Grade Six	150		150				150		150			
Grade Seven	126		126				126		126			
Grade Eight	119		119				119		119			
Grade Nine	141		141				141		141			
Grade Ten	132		132				132		132			
Grade Eleven	142		142				142		142			
Grade Twelve	125		125				125		125			
Subtotal	1,812		1,812				1,812		1,812			
Special Education:												
Elementary	144		144				12		12			
Middle	92		92				7		7			
High	92		92				6		6			
Subtotal	328	6	328	6			25		25			
Totals	2,140	6	2,140	6			1,837	-0-	1,837	-0-		-0-
Percentage Error							0.00%		0.00%			0.00%

VERONA BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2022

	Private Schools for Disabled			Resident Low Income						
	Reported on /ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on /ASSA as Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Errors	Verified to Application and Register	Sample Errors
Full Day Kindergarten										
Grade Three					2		1		1	
Grade Four					1		1			
Grade Five					1		1			
Grade Six					2		2			
Grade Ten					3		3		2	
Grade Eleven					1		1		1	
Grade Twelve					1		1		1	
Subtotal					12		12		5	
Special Education:										
Elementary School	5	2	2		3		3			
Middle School	5	1	1							
High School	13	2	2		2		2			
Subtotal	23	5	5		5		5			
Totals	23	5	5	-0-	17		17	-0-	5	-0-
Percentage Error				0.00%				0.00%		0.00%

VERONA BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2022

	Resident LEP Not Low Income					
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten	2	2		1	1	
Grade One	2	2				
Grade Two	2	2		1	1	
Grade Three	1	1				
Grade Four	1	1		1	1	
Grade Five	1	1				
Grade Eight	1	1		1	1	
Subtotal	10	10		4	4	
Special Education:						
Elementary School	4	4		1	1	
Middle School	1	1				
Subtotal	5	5		1	1	
Totals	15	15	-0-	5	5	-0-
			0.00%			0.00%

VERNON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2022

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Special Education	4	4		2	2	
Special Needs - Public	8	8		2	2	
Special Needs - Private	24	24		4	4	
Totals	36	36	-0-	8	8	-0-
Percentage Error			0.00%			0.00%

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	15.9	15.9
Average Mileage - Regular Excluding Grade PK Students	15.9	15.9
Average Mileage - Special Education with Special Needs	8.7	8.7

VERONA BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2023

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2022-2023 Total General Fund Expenditures per the ACFR, Ex. C-1		\$ 49,528,367	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund		\$ -0-	(B1a)
Transfer from Capital Reserve to Capital Projects Fund		\$ -0-	(B1b)
Transfer from General Fund to SRF for PreK-Regular		\$ -0-	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion		\$ -0-	(B1d)
Decreased by:			
On-Behalf TPAF Pension and Social Security		\$ 9,769,056	(B2a)
Assets Acquired Under Leases and Financed Purchases		\$ -0-	(B2b)
Adjusted 2022-2023 General Fund Expenditures [(B)+(B1's)-(B2's)]		<u>\$ 39,759,311</u>	(B3)
2% of Adjusted 2022-2023 General Fund Expenditures [(B3) times .02]		<u>\$ 795,186</u>	(B4)
Enter Greater of (B4) or \$250,000		<u>\$ 795,186</u>	(B5)
Increased by: Allowable Adjustment		<u>\$ 517,296</u>	(K)
Maximum Unassigned Fund Balance [(B5)+(K)]			<u>\$ 1,312,482</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/23 (Per ACFR Budgetary Comparison Schedule C-1)		\$ 6,205,900	(C)
Decreased by:			
Year End Encumbrances		\$ -0-	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		\$ -0-	(C2)
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures		<u>\$ 766,598</u>	(C3)
Other Restricted Fund Balances		<u>\$ 2,979,106</u>	(C4)
Assigned - Designated for Subsequent Year's Expenditures		<u>\$ 136,736</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]			<u>\$ 2,323,460</u> (U1)

VERONA BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2023

SECTION 3

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- \$ 1,010,978 (E)

Recapitulation of Excess Surplus as of June 30, 2023

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 766,598 (C3)

Restricted Excess Surplus [(E)] \$ 1,010,978 (E)

Total [(C3)+(E)] \$ 1,777,576 (D)

Detail of Allowable Adjustments

Impact Aid \$ -0- (H)

Sale and Lease Back \$ -0- (I)

Extraordinary Aid \$ 517,296 (J1)

Additional Nonpublic School Transportation Aid \$ -0- (J2)

Current Year School Bus Advertising Revenue Recognized \$ -0- (J3)

Total Adjustments ((H)+(I)+(J1)+(J2)+(J3)) \$ 517,296 (K)

Detail of Other Restricted Fund Balance

Statutory Restrictions

Approved Unspent Separate Proposal \$ -0-

Sale/Lease-Back Reserve \$ -0-

Capital Reserve \$ 2,305,086

Maintenance Reserve \$ 650,000

Emergency Reserve \$ -0-

Tuition Reserve \$ -0-

Unemployment Compensation \$ 24,020

Other State/Governmental Mandated Reserve \$ -0-

Other Reserved Fund Balance not Noted Above \$ -0-

Total Other Restricted Fund Balance \$ 2,979,106 (C4)

VERONA BOARD OF EDUCATION
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2023

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2023-001: The proprietary funds and local grants in the special revenue fund be properly recorded through the District's accounting systems.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the purchase orders being approved prior to the order of the related goods and services and reviewing the new accounting system to ensure information is being properly recorded were resolved in the current year. The prior year recommendation regarding the proprietary funds being properly recorded through the District's accounting system was not resolved and is included as a current year recommendation.