

**ELMWOOD PARK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

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

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Honorable President and Members
of the Board of Education
Elmwood Park Board of Education
Elmwood Park, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Elmwood Park Board of Education, County of Bergen, State of New Jersey as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 19, 2017.

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

This report is intended for the information of management, the Board of 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 & Higgins, LLP

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

Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
October 19, 2017

**ELMWOOD PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John DiPaola	Business Administrator/ Board Secretary	\$300,000
Joanne M. Wilson	Treasurer of School Monies	300,000

There is Public Employee Dishonesty and Faithful Performance policy with the New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$50,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any material discrepancies with respect to signatures, certifications and proper itemization.

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 tested 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 District's payroll service provider for submission to the proper agencies, including health benefit withholdings due to the General Fund.

The District maintains a personnel tracking and accounting (Position Control) system.

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

**ELMWOOD PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23 A-16.(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 included administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.3. As a result of the procedures performed, no additional testing was deemed necessary to test the propriety of expenditure classifications.

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.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

Acknowledgement of the Board's receipt of the Board Secretary's monthly financial reports were included in the minutes.

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Treasurer's Records

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

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

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act (NCLB) of 2001

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

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 CAFR.

Our audit of the Federal and State funds on a test basis indicated that, except as previously noted, obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

**ELMWOOD PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulates bidding for public school student transportation contracts under NJSA 18A:39-3 which is \$18,800 for 2016-2017.

If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971, c. 198 (c.40A:11-9), the board of education may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Board has designated the Business Administrator as the qualified purchasing agent and has approved by Board resolution a bid threshold of \$40,000.

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination did not indicate any individual payments, contracts, or agreements 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. Our examination did reveal that purchases were made through the use of state contracts.

**ELMWOOD PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Food Service Fund

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 as to whether the School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. In addition, we inquired as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

The financial transactions and records of the school food services were maintained in good condition. The financial accounts and records were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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 contract/addendum were reviewed. The FSMC contract includes an operating results provision which guarantees that the food service program will have a profit of \$90,000. The operating results provision has been met.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The Districts deposited program monies and made expenditures in accordance with N.J.S.A. 18A:17-34. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Applications for free and reduced price meals were reviewed for completeness and accuracy as part of our audit of the Application for State School Aid (ASSA).

Net cash resources did not exceed three months average expenditures.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

Student Body Activities

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

All receipts tested after implementation of the prior year corrective action plan were deposited in a timely manner.

All cash disbursements tested had proper supporting documentation.

**ELMWOOD PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Summer Session Program

Separate revenue and expense records and billing journals were maintained for the summer session program.

- **Finding** – Our audit of program fees revealed amounts collected were not deposited in a timely manner.

Recommendation – Summer session program fees collected be deposited in a timely manner.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (ASSA) for on-roll, private schools for the disabled, related services, 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 with an immaterial exception noted. The information that was included on the workpapers was verified with an immaterial exception noted. 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 for all reporting categories.

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 2016-2017 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.

Facilities and Capital Assets

The District had no SDA grant projects during the current year.

Follow-up Prior Year Findings

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

Suggestions to Management

- District continue to review projects in construction in progress and transfer completed project costs to capital assets placed in service and depreciate them accordingly.

**ELMWOOD PARK BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

**ELMWOOD PARK BOARD OF EDUCATION
FOOD SERVICE FUND
COMPARISON OF NET CASH RESOURCES TO THREE MONTHS AVERAGE EXPENDITURES
ENTERPRISE FUND
AS OF JUNE 30, 2017**

NET CASH RESOURCE SCHEDULE

NOT APPLICABLE

**ELMWOOD PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	2017-2018 Application for State School Aid						Sample for Verification						On Roll - Special Education			Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Sample for Verifi- cation	Sample Verified	Sample Errors	Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared								
Half Day Preschool 3 Years Old					-	-														
Full Day Preschool 3 Years Old					-	-	1		1											
Half Day Preschool 4 Years Old					-	-														
Full Day Preschool 4 Years Old					-	-	2		2											
Half Day Kindergarten					-	-														
Full Day Kindergarten	149		149		-	-	50		50											
Grade 1	185		185		-	-	57		57											
Grade 2	165		165		-	-	57		57											
Grade 3	187		187		-	-	77		77											
Grade 4	226		226		-	-	60		60											
Grade 5	163		163		-	-	50		50											
Grade 6	163		163		-	-	163		163											
Grade 7	163		163		-	-	163		163											
Grade 8	163		164		(1)	-	164		164											
Grade 9	168	7	168	7	-	-	168	7	168	7										
Grade 10	130	3	130	3	-	-	130	3	130	3										
Grade 11	163	6	163	6	-	-	163	6	163	6										
Grade 12	146	3	146	3	-	-	146	3	146	3										
Post- Graduate					-	-														
Adult High School (15+ Credits)					-	-														
Adult High School (1-14 Credits)					-	-														
Subtotal	2,171	19	2,172	19	(1)	-	1,451	19	1,451	19	-	-	-	-	-	-	-	-	-	-
Sp Ed - Elementary	162	-	162	-	-	-	55	-	55	-	-	28	28	-	11	9	9	-	-	-
Sp Ed - Middle School	105	-	105	-	-	-	105	-	105	-	-	17	17	-	6	5	5	-	-	-
Sp Ed - High School	102	5	102	5	-	-	102	5	102	5	-	17	17	-	14	12	12	-	-	-
Subtotal	369	5	369	5	-	-	262	5	262	5	-	62	62	-	31	26	26	-	-	-
County Vocational - Regular					-	-														
County Vocational - F.T. Post-Second					-	-														
Subtotal					-	-														
Totals	2,540	24	2,541	24	(1)	-	1,713	24	1,713	24	-	-	62	62	-	31	26	26	-	-
Percentage Error					-0.04%						0.00%				0.00%					0.00%

ELMWOOD PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS

	Low Income		Sample for Verification			
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application	Sample Errors
Half Day Preschool 3 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	43	43	-	5	5	-
Grade 1	98	98	-	10	10	-
Grade 2	63	63	-	6	6	-
Grade 3	83	83	-	9	9	-
Grade 4	99	99	-	9	9	-
Grade 5	77	77	-	7	7	-
Grade 6	69	69	-	5	5	-
Grade 7	84	84	-	9	9	-
Grade 8	84	84	-	7	7	-
Grade 9	81	81	-	9	9	-
Grade 10	67	67	-	7	7	-
Grade 11	80	80	-	9	9	-
Grade 12	61	61	-	7	7	-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	989	989	-	99	99	-
Sp Ed - Elementary	68	68	-	6	6	-
Sp Ed - Middle School	60	60	-	6	6	-
Sp Ed - High School	58	58	-	6	6	-
Subtotal	186	186	-	18	18	-
County Vocational - Regular			-			-
County Vocational - F.T. Post-Second			-			-
Subtotal	-	-	-	-	-	-
Totals	1,175.0	1,175.0	-	117.0	117.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected	Verified to Test Score and Register	Errors
Half Day Preschool 3 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	5	5	-	4	4	-
Grade 1	13	13	-	10	10	-
Grade 2	6	6	-	4	4	-
Grade 3	3	3	-	3	3	-
Grade 4	1	1	-	1	-	1
Grade 5	3	3	-	2	2	-
Grade 6	1	1	-	1	1	-
Grade 7	5	5	-	4	4	-
Grade 8	6	6	-	5	5	-
Grade 9	3	3	-	2	2	-
Grade 10	4	4	-	3	3	-
Grade 11	4	4	-	3	3	-
Grade 12	5	5	-	3	3	-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	59	59	-	45	44	1
Sp Ed - Elementary	3	3	-	2	2	-
Sp Ed - Middle School	0	-	-	0	0	-
Sp Ed - High School	0	0	-	0	0	-
Subtotal	3	3	-	2	2	-
County Vocational - Regular			-			-
County Vocational - F.T. Post-Second			-			-
Subtotal	-	-	-	-	-	-
Totals	62	62	-	47	46	1
Percentage Error			<u>0.00%</u>			<u>2.13%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	102	102	-	14	14	-
Regular - Special Ed	15	15	-	2	2	-
AIL Non-Public	168	168	-	23	22	1
Transported - Non Public	61	61	-	8	8	-
Special Needs	131	131	-	17	17	-
Subtotal	477	477	-	64	63	1
Percentage Error			<u>0.0%</u>			<u>1.6%</u>

**ELMWOOD PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT low Income	Errors	Sample Selected From Workpapers	Verified to Application Workpapers	Errors
Half Day Preschool 3 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	6	6	-	4	4	-
Grade 1	6	6	-	5	5	-
Grade 2	4	4	-	3	3	-
Grade 3	4	4	-	3	3	-
Grade 4	1	1	-	1	1	-
Grade 5	2	2	-	2	2	-
Grade 6	2	2	-	2	2	-
Grade 7	2	2	-	2	2	-
Grade 8	1	1	-	1	1	-
Grade 9	2	2	-	2	2	-
Grade 10	5	5	-	4	4	-
Grade 11	3	3	-	3	3	-
Grade 12	1	1	-	1	1	-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	39	39	-	33	33	0
Sp Ed - Elementary	2	2	-	2	2	-
Sp Ed - Middle School	0	0	-	0	0	-
Sp Ed - High School	0	0	-	0	0	-
Subtotal	2	2	-	2	2	-
County Vocational - Regular						
County Vocational - F.T. Post-Second						
Subtotal						
Totals	41	41	-	35	35	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**ELMWOOD PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1A

2016-2017 Total General Fund Expenditures per the CAFR	\$	39,390,953
Increased by:		
Transfer Out - Summer Session Enterprise Fund		25,000
Decreased by:		
On-Behalf TPAF Pension & Social Security		(3,425,666)
Assets and Supplies Acquired Under Capital Leases		<u>-</u>
Adjusted 2016-2017 General Fund Expenditures	\$	<u>35,990,287</u>
1.5% of Adjusted 2016-2017 General Fund Expenditures	\$	<u>539,854</u>
Enter Greater of 1.5% of Adjusted 2016-2017 General Fund Expenditures or \$250,000	\$	539,854
Increased by: Allowable Adjustments		<u>33,001</u>
Maximum Unassigned Fund Balance	\$	<u>572,855</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	4,575,037
Decreased by:		
Year End Encumbrances	\$	31,442
Capital Reserve		2,525,394
Maintenance Reserve		1,444,570
Other Reserved Fund Balances - State Aid Loan Repayments		<u>776</u>
		<u>4,002,182</u>
Total Unassigned Fund Balance	\$	<u>572,855</u>

SECTION 3

Restricted Fund Balance - Reserved Excess Surplus	\$	<u>-</u>
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Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus		-
Reserved Excess Surplus - Designated for Subsequent Year Expenditures		<u>-</u>
Total Reserved Excess Surplus	\$	<u>-</u>

Detail of Allowable Adjustments

Non Public School Transportation Aid	\$	33,001
	\$	<u>33,001</u>

**ELMWOOD PARK BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Summer Session Program

It is recommended that summer session program fees collected be deposited in a timely manner.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

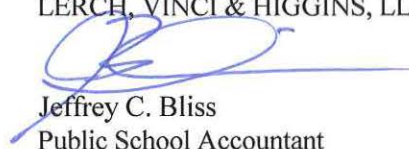
A review was performed on all prior years' recommendations and corrective action was taken on all.

ELMWOOD PARK BOARD OF EDUCATION

ACKNOWLEDGEMENT

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

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Jeffrey C. Bliss
Public School Accountant
Certified Public Accountant