

**FLORHAM PARK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

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

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LERCH, VINCI & HIGGINS, LLP

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Honorable President and Members
of the Board of Education
Florham Park Board of Education
Florham 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 Florham Park Board of Education for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 12, 2019.

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 Education, 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
November 12, 2019

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 the Insurance Schedule (Exhibit J-20) contained in the district's Comprehensive Annual Financial Report (CAFR).

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John R. Csatlós	Board Secretary/School Business Administrator	\$100,000
Raymond G. Karaty	Treasurer of School Monies	230,000

There is a Public Employee Dishonesty and Faithful Performance Coverage with the New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$100,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to signatures, certifications and supporting documentation.

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 Board Secretary/School Business Administrator and the Superintendent of Schools.

Salary withholdings were promptly remitted to the proper agencies, including employee health benefit premium contribution amounts withheld due to the General Fund.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

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 for the reporting of compensation for certain 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 reserves 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, we also selected administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-8.3. As a result of the procedures performed no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

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

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports were included in the minutes.

The prescribed contractual order system was followed.

Treasurer's Records

The Treasurer did perform cash reconciliations for all District accounts (NJSA 18A:17-9).

All cash receipts were promptly deposited.

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

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Fiduciary Trust Funds.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

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

Our examination of the E.S.E.A. 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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and K-4 located in the CAFR.

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

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

There were no TPAF employees' pensionable wages paid from federal funds during the current fiscal year. Therefore, there were no reimbursement amounts due to the State at June 30, 2019.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000.

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 School Business Administrator as the qualified purchasing agent.

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.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 which were made “for the performance of any work or the furnishing or hiring of any materials or supplies,” in excess of statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, as amended.

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.

Finding – Our audit of purchasing and contract award procedures revealed the following:

- Political Contribution Disclosure Forms (PCDF) were not obtained from vendors and on file as required.
- Board approved professional service contract awards were not subsequently published in the District’s official newspaper as required by the Public School Contracts Law.

Recommendation – Procedures over purchasing and contract awards be reviewed and revised to ensure Political Contribution Disclosure Forms are obtained from vendors and maintained on file as required and that professional service contract awards are subsequently published in the District’s official newspaper as required by the Public School Contracts Law.

Enterprise Funds

Food Service Fund

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

Expenditures were separately recorded as food and other costs. Vendor invoices were reviewed and costs verified.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Student Body Activities

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

Cash receipts were deposited timely.

Cash disbursements had proper supporting documentation.

Finding – We noted instances where checks issued from the Brooklake and Ridgedale student activity accounts and Ridgedale Athletics account contained only one (1) authorized check signature. Board policy requires two (2) signatures on all checks.

Recommendation – All checks issued from the Brooklake and Ridgedale student activity accounts and Ridgedale Athletic account contain two (2) authorized signatures as required by Board policy.

**FLORHAM PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Application for State School Aid

Audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. A review was performed 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 workpapers was verified with immaterial exceptions noted. The results of these procedures are presented in the Schedule of Audited Enrollments.

The district maintained 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 2018-2019 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 information that was included on the District report was verified with immaterial exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures 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.

Testing for Lead of all Drinking Water in Educational Facilities

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

Follow-up on Prior Year Findings

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

**FLORHAM PARK BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MILKS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

**FOOD SERVICE FUND
COMPARISON OF NET CASH RESOURCES TO AVERAGE EXPENDITURES
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

FLORHAM PARK BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2018

	2019-20 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified to Register On Roll		Errors		Reported on A.S.S.A. as Private Schools	Reported on Workpapers 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	1				1	-	1		2		(1)	-					
Half Day Preschool - 4 years	1		2		(1)	-	1		-		1	-					
Full Day Preschool - 4 years	6		5		1		6		5		1						
Full Day Kindergarten	108		108		-	-	108		108		-	-					
1st Grade	114		114		-	-	114		114		-	-					
2nd Grade	81		81		-	-	81		81		-	-					
3rd Grade	89		89		-	-	89		89		-	-					
4th Grade	92		92		-	-	92		92		-	-					
5th Grade	93		93		-	-	93		93		-	-					
6th Grade	79		79		-	-	79		79		-	-					
7th Grade	102		102		-	-	102		102		-	-					
8th Grade	85		85		-	-	85		85		-	-					
Subtotal	851	-	850	-	1	-	851	-	850	-	1	-	-	-	-	-	-
Spec Ed - Elementary	86		86		-	-	86		86		-	-	1	1	1	1	-
Spec Ed - Middle School	49		49		-	-	49		49		-	-	4	4	3	3	-
Subtotal	135	-	135	-	-	-	135	-	135	-	-	-	5	5	4	4	-
Totals	986	-	985	-	1	-	986	-	985	-	1	-	5	5	4	4	-
Percentage Error					<u><u>0.10%</u></u>				<u><u>0.10%</u></u>								<u><u>0.00%</u></u>

**FLORHAM PARK BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2018**

	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	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-			-			-
Half Day Pre-School (4 Yrs)			-			-			-			-
Full Day Kindergarten			-			-			-			-
1st Grade			-			-			-			-
2nd Grade			-			-			-			-
3rd Grade			-			-			-			-
4th Grade			-			-			-			-
5th Grade			-			-			-			-
6th Grade			-			-			-			-
7th Grade			-			-			-			-
8th Grade			-			-			-			-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	1		1			-			-			-
Spec Ed - Middle School			-			-			-			-
Subtotal	1	-	1	-	-	-	-	-	-	-	-	-
Totals	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>100.00%</u>			<u>#DIV/0!</u>			<u>#DIV/0!</u>			<u>#DIV/0!</u>

Transportation

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
	Regular - Public Schools	168	168			
Transported - Non-Public	6	6	-	1	1	-
Regular - Spec.	27	27	-	3	2	1
Special Needs - Public	10	11	(1)	1	1	-
Totals	<u>211</u>	<u>212</u>	<u>(1)</u>	<u>25</u>	<u>23</u>	<u>2</u>
		<u>-0.47%</u>			<u>8.00%</u>	

**FLORHAM PARK BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2018**

	Resident LEP Not 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 Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-				
Half Day Pre-School (4 Yrs)	-	-				
Full Day Kindergarten	2	2	-	2	2	-
1st Grade	1	1	-	1	1	-
2nd Grade	2	2	-	2	2	-
3rd Grade	3	3	-	2	2	-
4th Grade	3	3	-	2	2	-
5th Grade	1	1	-	1	1	-
6th Grade	3	3	-	3	3	-
7th Grade	1	1	-	1	1	-
8th Grade	1	1	-	1	1	-
Subtotal	<u>17</u>	<u>17</u>	<u>-</u>	<u>15</u>	<u>15</u>	<u>-</u>
Spec Ed - Elementary			-			-
Spec Ed - Middle School			-			-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>17</u>	<u>17</u>	<u>-</u>	<u>15</u>	<u>15</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**FLORHAM PARK BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE YEAR ENDED JUNE 30, 2019**

SECTION 1 - Two Percent (2%) - Calculation of Excess Surplus

2018-2019 Total General Fund Expenditures	\$	22,537,398
Decreased by:		
On-Behalf TPAF Pension & Social Security		(2,666,264)
Adjusted 2018-2019 General Fund Expenditures		19,871,134
2% of Adjusted 2018-2019 General Fund Expenditures		397,423
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000		397,423
Increased by:		
Allowable Adjustment		161,659
Maximum Unreserved/Undesignated Fund Balance		\$ 559,082

SECTION 2

Total General Fund - Fund Balance at June 30, 2019	\$	1,838,550
Decreased by:		
Year-End Encumbrances	\$	(135,683)
Other Restricted Fund Balances - Capital Reserve		(605,184)
Other Restricted Fund Balances - Maintenance Reserve		(80,000)
Other Restricted Fund Balances - Emergency Reserve		(250,000)
Other Restricted Fund Balance - Legally Restricted - Unexpended		(104,006)
Additional Spending Proposal		(1,174,873)
Total Unassigned Fund Balance for Excess Surplus Calculation		\$ 663,677

SECTION 3

Restricted Fund Balance - Excess Surplus		\$ 104,595
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Recapitulation of Excess Surplus as of June 30, 2019

Restricted Fund Balance - Excess Surplus	\$	104,595
Restricted Fund Balance - Excess Surplus - Designated for Subsequent Year's Expenditures		-
Total Excess Surplus		\$ 104,595

Detail of Allowable Adjustments

Extraordinary Aid	\$	133,580
Additional Nonpublic School Transportation Aid		28,079
		\$ 161,659

**FLORHAM PARK BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

It is recommended that procedures over purchasing and contract awards be reviewed and revised to ensure Political Contribution Disclosure Forms are obtained from vendors and maintained on file as required and that professional service contract awards are subsequently published in the District's official newspaper as required by the Public School Contracts Law.

IV. Enterprise Funds

There are none.

V. Student Body Activities

It is recommended that all checks issued from the Brooklake and Ridgedale student activity accounts and Ridgedale Athletic account contain two authorized signatures as required by Board policy.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Miscellaneous

There are none.

IX. Status of Prior Years' Audit Findings/Recommendations

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

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP

A handwritten signature in blue ink, appearing to read "J. Bliss", with a long horizontal flourish extending to the right.

Jeffrey C. Bliss
Certified Public Accountant
Public School Accountant