

**NUTLEY BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**NUTLEY BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITORS' MANAGEMENT REPORT


Honorable President and
Members of the Board of Trustees
Nutley Board of Education
Nutley, 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 Nutley Board of Education as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 3, 2015.

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.

Respectfully submitted,


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 3, 2015

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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, 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, as reported in the District's Comprehensive Annual Financial Report (CAFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Karen Yeamans	Board Secretary/School Business Administrator	\$ 3,000
Joanne Wilson	Treasurer of School Monies	325,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$50,000.

Tuition Charges

The District has made a comparison of tentative tuition charges with the State certified rates. The Board made proper adjustments to the sending districts in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

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

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

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

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Employee Position Control Roster

The District has implemented and maintains a personal tracking and accounting (Position Control) system.

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:23-2.2(g) 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 the New Jersey Administrative Code.

Finding – An incorrect budget account number was utilized for the replacement of flooring at Radcliffe School. The account number used was an equipment account (12-000-261-420) rather than a construction services account (12-000-400-450). This was an isolated and unintentional instance and no recommendation is warranted.

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 was 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).

Finding – The District withdrew funds from its maintenance reserve as of June 30, 2015 totaling \$204,125. The transfer/withdrawal of funds was approved by the County; however, the district did not approve the resolution to withdraw funds until September 14, 2015.

Recommendation – Funds withdrawn from the maintenance reserve account be approved in a timely manner, and prior to the fiscal year end.

Treasurer's Records

The Treasurer performed cash reconciliations in accordance with N.J.S.A. 18A:17-36.

The Treasurers cash balances were in agreement with the cash balances of the Board Secretary.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

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

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 CAFR.

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

The financial exhibits contained herein represent a true statement of 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. Reimbursements to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement 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 \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under 18A:39-3 is currently \$18,300. The Board has designated the Business Administrator as the Qualified Purchasing Agent for the District.

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.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

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

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

Food Service Fund

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications 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 and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$150,000. The operating provision was not met and the FSMC reimbursed the district for the profit shortfall of \$24,341.

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

The cash disbursement 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. Net cash resources did not exceed three months average expenditures.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check worksheet was completed. Reimbursement vouchers were timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

USDA Food Distribution Program food and commodities were received and a single inventory was maintained on a first-in, first-out basis.

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

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Extended Day Program

The accounting records are maintained in good condition.

Student Activity, Athletic Association and Scholarship Accounts

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

Finding – Our audit of the High School Activity Funds revealed the following:

- The June 30, 2015 bank reconciliation was not in agreement with the ledger. Furthermore, numerous incorrect reconciling items were included on the bank reconciliation. An adjustment of approximately \$11,000 was required to be made to the end of the year reconciliation.
- A detail of balances by individual club was not available.
- Pre-numbered receipt forms were not always utilized.
- Three disbursements tested did not contain proper approval signatures.
- Eight checks disbursed from the account contained only one authorized check signature.

Recommendation – Internal control and accounting procedures for the High School activity account be reviewed and enhanced.

Finding – Our audit revealed that the scholarship accounts and the High School savings account were not designated as depositories by the Board. Furthermore the Leah Brooks Scholarship Fund authorized three checks for \$10,000 each that were issued as bank checks rather than a district check.

Recommendation – All scholarship bank accounts and the High School savings account be designated by the Board as official depositories. Furthermore, payments from scholarship accounts be made with a check authorized by at least two signatures from the district.

Application for State School Aid

Our audit procedures included a test information reported in the October 15, 2014 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, related services, bilingual students 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 with immaterial exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

The District had 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 2014-15 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 on the DRTRS was verified with 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, and except as previously noted, the district complied with proper bidding procedures and award of contracts.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Facilities and Capital Assets

The district contracts with an independent appraisal company to annually update its capital asset inventory reports.

Suggestions to Management

- A formal transfer form be developed and utilized for all wire transfers.
- Consideration be given to integrating the capital asset reporting system with the district's budgetary accounting software.
- The capital projects receivable for \$480,195 from the Schools Development Authority (SDA) be reviewed and cleared of record.
- A formal written policy for the use of store cards be developed.

**NUTLEY BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

**SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

**NUTLEY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	2015-2016 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 per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample from Work- papers	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full Day Preschool 3 yrs	9.0	-	9.0	-	-	-	9.0	-	9.0	-	-	-				
Full Day Preschool 4 yrs	4.0	-	4.0	-	-	-	4.0	-	4.0	-	-	-				
Full Day Kindergarten	281.0	-	281.0	-	-	-	79.0	-	79.0	-	-	-				
Grade 1	273.0	-	273.0	-	-	-	71.0	-	71.0	-	-	-				
Grade 2	284.0	-	284.0	-	-	-	45.0	-	45.0	-	-	-				
Grade 3	231.0	-	231.0	-	-	-	50.0	-	50.0	-	-	-				
Grade 4	208.0	-	208.0	-	-	-	31.0	-	31.0	-	-	-				
Grade 5	257.0	-	257.0	-	-	-	49.0	-	49.0	-	-	-				
Grade 6	260.0	-	260.0	-	-	-	67.0	-	67.0	-	-	-				
Grade 7	254.0	-	254.0	-	-	-	254.0	-	254.0	-	-	-				
Grade 8	268.0	-	268.0	-	-	-	268.0	-	268.0	-	-	-				
Grade 9	256.0	-	256.0	-	-	-	256.0	-	256.0	-	-	-				
Grade 10	270.0	-	270.0	-	-	-	270.0	-	270.0	-	-	-				
Grade 11	264.0	-	264.0	-	-	-	264.0	-	264.0	-	-	-				
Grade 12	258.0	-	258.0	-	-	-	258.0	-	258.0	-	-	-				
Subtotal	3,377.0	-	3,377.0	-	-	-	1,975.0	-	1,975.0	-	-	-	-	-	-	-
Special Ed - Elementary	277.0	-	277.0	-	-	-	104.0	-	104.0	-	-	-	15.0	13.0	13.0	-
Special Ed - Middle	145.0	-	145.0	-	-	-	92.0	-	92.0	-	-	-	10.0	9.0	9.0	-
Special Ed - High	192.0	1.0	192.0	1.0	-	-	192.0	1.0	192.0	1.0	-	-	21.0	18.0	18.0	-
Subtotal	614.0	1.0	614.0	1.0	-	-	388.0	1.0	388.0	1.0	-	-	46.0	40.0	40.0	-
Totals	3,991.0	1.0	3,991.0	1.0	-	-	2,363.0	1.0	2,363.0	1.0	-	-	46.0	40.0	40.0	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**NUTLEY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Free/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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Worpapers	Verified to Test Application and Register	Errors
Grade 1	2.0	2.0	-	2.0	2.0	-						
Grade 2	17.0	17.0	-	8.0	8.0	-	4.0	4.0	-	4.0	4.0	-
Grade 3	18.0	18.0	-	7.0	7.0	-	1.0	1.0	-	1.0	1.0	-
Grade 4	11.0	11.0	-	5.0	5.0	-						
Grade 5	23.0	23.0	-	6.0	6.0	-						
Grade 6	25.0	25.0	-	9.0	9.0	-						-
Grade 7	20.0	20.0	-	6.0	6.0	-	2.0	2.0	-	2.0	2.0	-
Grade 8	23.0	23.0	-	6.0	6.0	-	1.0	1.0	-	1.0	1.0	-
Grade 9	21.0	21.0	-	7.0	7.0	-						
Grade 10	25.0	25.0	-	9.0	9.0	-						
Grade 11	24.0	24.0	-	7.0	7.0	-	1.0	1.0	-	1.0	1.0	-
Grade 12	22.0	22.0	-	7.0	7.0	-	3.0	3.0	-	2.0	2.0	-
Subtotal	231.0	231.0	-	79.0	79.0	-	12.0	12.0	-	11.0	11.0	-
Special Ed - Elementary	38.0	38.0	-	11.0	11.0	-	3.0	3.0	-	2.0	2.0	-
Special Ed - Middle	21.0	21.0	-	7.0	7.0	-	-	-	-	-	-	-
Special Ed - High	45.5	45.5	-	11.0	11.0	-	-	-	-	-	-	-
Subtotal	104.5	104.5	-	29.0	29.0	-	3.0	3.0	-	2.0	2.0	-
Totals	335.5	335.5	-	108.0	108.0	-	15.0	15.0	-	13.0	13.0	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Special Needs - Public	172.0	172.0	-	52.0	52.0	-
	172.0	172.0	-	52.0	52.0	-
Percentage Error			0.00%			0.00%

**NUTLEY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
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	16.0	16.0	-	12.0	12.0	-
Grade 1	8.0	8.0	-	6.0	6.0	-
Grade 2	6.0	6.0	-	5.0	5.0	-
Grade 3	3.0	3.0	-	2.0	2.0	-
Grade 4	2.0	2.0	-	1.0	1.0	-
Grade 5	3.0	3.0	-	2.0	2.0	-
Grade 6	2.0	2.0	-	2.0	2.0	-
Grade 7	3.0	3.0	-	2.0	2.0	-
Grade 8	4.0	4.0	-	3.0	3.0	-
Grade 9	6.0	6.0	-	5.0	5.0	-
Grade 10	9.0	9.0	-	7.0	7.0	-
Grade 11	2.0	2.0	-	2.0	2.0	-
Grade 12	3.0	3.0	-	2.0	2.0	-
Adult School	-	-	-	-	-	-
Subtotal	67.0	67.0	-	51.0	51.0	-
Special Ed - Elementary	3.0	3.0	-	2.0	2.0	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	3.0	3.0	-	2.0	2.0	-
Total	70.0	70.0	-	53.0	53.0	-
Percentage Error			0.00%			0.00%

**NUTLEY BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2014-2015 Total General Fund Expenditures per the CAFR, Exhibit C-1		\$64,829,673
Adjustments:		
Less: Capital Leases		(135,761)
Less: On-Behalf TPAF Pension & Social Security		<u>(5,774,322)</u>
Adjusted 2014-2015 General Fund Expenditures		<u>\$58,919,590</u>
2% of Adjusted 2014-13 General Fund Expenditures		\$1,178,392
Increased by:		
Allowable Adjustments – Extraordinary Aid		<u>282,346</u>
Maximum Unassigned Fund Balance		\$1,460,738
Total General Fund – Fund Balance at June 30, 2015		\$8,113,858
Decreased by:		
Year End Encumbrances	\$1,405,101	
Other Restricted Fund Balances		
Capital Reserve and Maintenance Reserve	4,038,601	
Excess Surplus – Designated for Subsequent Year’s Budget	<u>692,187</u>	
		<u>6,135,889</u>
Total Unassigned Fund Balance		<u>\$1,977,969</u>
Restricted Fund Balance – Excess Surplus		<u>\$517,231</u>
<u>Recapitulation of Excess Surplus at June 30, 2015</u>		
Restricted Fund Balance		
Excess Surplus		\$517,231
Excess Surplus – Designated for Subsequent Year’s Budget		<u>692,187</u>
		<u>\$1,209,418</u>

**NUTLEY BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that funds withdrawn from the maintenance reserve account be approved in a timely manner and prior to the fiscal year end.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Extended Day Program

There are none.

VI. Student Activity and Athletic Association Accounts

It is recommended that:

1. Internal control and accounting procedures for the High School activity account be reviewed and enhanced.

* 2. All scholarship bank accounts and the High School savings account be designated by the Board as official depositories. Furthermore, payment from scholarship accounts be made with a check authorized by at least two signatures of the district.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

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

**NUTLEY BOARD OF EDUCATION
RECOMMENDATIONS**

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



Gary J. Vinci
Certified Public Accountant
Public School Accountant