

**LYNDHURST BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2018**

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

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Honorable President and Members  
of the Board of Education  
Lyndhurst Board of Education  
Lyndhurst, 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 Lyndhurst Board of Education as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 23, 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 solely for the information and use 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.

Respectfully submitted,

*Lerch, Vinci & Higgins, LLP*

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

Jeffrey C. Bliss  
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PSA Number CS00932

Fair Lawn, New Jersey  
January 23, 2019

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Scope of Audit**

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

**Administrative Practices and Procedures**

Insurance

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

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Scott Bisig	Board Secretary/School Business Administrator	\$500,000

There is an Employees' Dishonesty Faithful Performance Crime Coverage through SAIF covering all other employees with multiple coverage of \$500,000 per loss.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the proper adjustment to the billings for the adjustment in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

**Financial Planning, Accounting and Reporting**

Examination of Claims

An examination of claims paid during the period under review disclosed the following discrepancies with respect to supporting documentation, signatures and certification.

- **Finding (CAFR 2018-004)** – Our audit revealed purchases were made and contracts were entered into prior to the approval and issuance of a purchase order (confirming orders).

**Recommendation** – In all instances a properly executed purchase order be approved and issued prior to the purchase of goods or rendering of services to ensure confirming orders do not occur.

- **Finding** – Our audit of claims revealed a number of purchase orders did not contain a receipt of goods signature. In addition, payment approval signature was not obtained on purchase order in all instances.

**Recommendation** – Receipt of goods and payment approval signatures be obtained on all purchase orders prior to payment.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Financial Planning, Accounting and Reporting (Continued)**

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.

Salary withholdings were promptly remitted to the proper agencies, including health benefit withholdings due to the general fund for the payroll periods tested.

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.

- **Finding (CAFR 2018-006)** – Our audit of payroll transfers revealed interfund loans were made from the Summer Savings account to the General Fund of approximately \$1,500,000 during the 2017/2018 school year. It should be noted that all interfund loans were paid back to the Summer Savings account as of June 30, 2018.

**Recommendation** – Internal control procedures be revised to ensure interfund loans from the Summer Savings account are prohibited.

- **Finding** – We noted pension reports have not been filed with the State of New Jersey for the fiscal year 2017 retroactive salaries paid in fiscal year 2018.

**Recommendation** – Pension reports be filed with the State of New Jersey for the fiscal year 2017 retroactive salaries paid in fiscal year 2018.

- **Finding (CAFR Finding 2018-010)** – Our audit of employee health benefit contributions revealed contribution amounts were not being calculated based on current premium rates as determined by the District's insurance broker.

**Recommendation** – Internal control procedures be revised to ensure employee health benefit contributions are calculated based on current premium rates.

- **Finding** – We noted certification signatures of the Superintendent, Board President and Board Secretary were not obtained on the payroll registers in all instances in accordance with N.J.S.A. 18A:19-4.1..

**Recommendation** – Payroll registers be certified by the Superintendent, Board President and Board Secretary in accordance with N.J.S.A. 18A:19-4.1.

- **Finding** – The position control roster in the personnel software has not been updated to agree to the District's budget and payroll accounting records in accordance with N.J.A.C. 6A:23A-6.8.

**Recommendation** – The District update its position control roster to be in agreement with the District's budget and payroll accounting records in accordance with N.J.A.C. 6A:23A-6.8..

- **Finding** – We noted certain employees who appeared eligible for enrollment in the State of New Jersey pension systems but were not enrolled as of June 30, 2018. In addition, we noted an employee who was enrolled in the State's Defined Contribution Retirement Program (DCRP) who appears to be eligible for the Public Employee Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF).

**Recommendation** – The District review employee's enrollment eligibility in the State of New Jersey pension systems to ensure employees are properly enrolled.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Financial Planning, Accounting and Reporting (Continued)**

**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 year end 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.

➤ **Finding (CAFR Finding 2018-002)** – Our audit of accounts payable revealed the following:

- Certain fiscal year 2017 expenditures were charged to the fiscal year 2018 budget.
- Several fiscal year 2017 and 2018 liabilities relating to health and prescription benefits were not recorded as accounts payable at June 30, 2018.

**Recommendation** – Internal control procedures be reviewed and revised to ensure expenditures are recorded in the year they are incurred and become due and payable.

**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, our sample selection included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-8.3. As a result of the procedures performed, no material exceptions were noted, therefore, no additional procedures were deemed necessary to test the propriety of expenditure classification.

**Board Secretary's Records**

The financial records, books of account and minutes maintained by the Board Secretary disclosed the following.

➤ **Finding (CAFR Finding 2018-007 and 2018-012)** – Our review of the Board minutes revealed that monthly Board Secretary and Treasurer reports for the period of December 2017 to June 2018 were not submitted to and approved by the Board, as required by N.J.S.A. 18A:17-36.

**Recommendation** – Monthly Board Secretary and Treasurer reports be submitted to and approved by the Board in a timely manner in accordance with the requirements of N.J.S.A. 18A:17-36.

➤ **Finding (CAFR Finding 2018-001 and 2018-009)** – The District ended the fiscal year with a General Fund operating deficit in the amount of \$4,470,851 at June 30, 2018. We noted approximately twenty-five (25) budget line accounts were overexpended at June 30, 2018. In addition, we noted the total General Fund budget appropriations were overexpended by \$958,895 at June 30, 2018.

**Recommendation** – The District develop, approve and implement a corrective action plan to eliminate the general operating deficit at year end and to ensure internal control procedures are in place to prevent operating deficits and overexpenditures from occurring in future years.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Financial Planning, Accounting and Reporting (Continued)**

**Board Secretary's Records (Continued)**

- **Finding (CAFR Finding 2018-005)** – Our audit of the 2016 referendum project in the Capital Projects Fund revealed the following:

- The total modified project budget did not agree to the prior year available project balance.
- Budget accounts established in the accounting system do not reflect all accounts required by the New Jersey Uniform Chart of Accounts.

**Recommendation** – The modified project budget be in agreement with the prior year available project balance and all required budget accounts be set-up in the accounting system for the 2016 referendum project in the Capital Projects Fund.

- **Finding (CAFR Finding 2018-005)** – Our audit of 2016 referendum project expenditures in the Capital Projects Fund revealed the following:

- Purchases were made and contracts were entered into prior to the approval and issuance of a purchase order (confirming orders).
- Professional service contract awards and amounts were not approved by Board action and made part of the minutes. Therefore, contract awards were not encumbered in the accounting system.

**Recommendation** – Internal control procedures be enhanced to ensure professional service contract awards and amounts are approved by Board action and contracts are encumbered in the accounting records through the issuance of a purchase order in the Capital Projects Fund.

- **Finding (CAFR Finding 2018-013)** Our audit of travel expense reimbursements revealed the following:

- We noted purpose and relevance statements were not attached to travel reimbursement requests or purchase orders as required by Board policy.
- Certain conference and attendees were not pre-approved as required by Board policy.

**Recommendation** - With respect to travel expense reimbursements, the District adhere to Board policy to ensure:

- Purpose and relevance statements are attached to travel reimbursement requests or purchase orders.
- All travel events and attendees be pre-approved by Board resolution as required.

**Elementary and Secondary School 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 Titles 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.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Financial Planning, Accounting and Reporting (Continued)**

Elementary and Secondary School Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)  
(continued)

- **Finding** – The New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC), completed a fiscal audit of the District’s No Child Left Behind Act (NCLB) Title I program for the period July 1, 2014 through June 30, 2015. The report dated January 26, 2018 included several findings which resulted in disallowed grant expenditures due to the State in the amount of \$301,224. The findings that resulted in disallowed grant expenditures included (1) certain expenditures incurred and charged to the Title I program supplanted local funding sources, (2) salaries of District staff were improperly allocated to the Title I program, (3) certain expenditures were not deemed to be reasonable and necessary for the efficient performance of the program, and (4) adequate documentation was not provided to demonstrate nonpublic expenditures charged to Title I were allowable costs. The District has filed an appeal to the State’s audit findings and request for recovery of disallowed grant expenditures and is awaiting a response from the State. The District approved and implemented a corrective action plan to address the findings in the OFAC report.

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 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.

- **Finding (CAFR Finding 2018-008)** –Our audit of the IDEA grant program revealed a reimbursement request for expenditures charged to the federal IDEA Basic grant was made in January 2018 in the amount of \$542,304. However, expenditures relating to the reimbursement request were not liquidated until May and September 2018.

**Recommendation** – Internal control procedures be revised to ensure IDEA grant expenditures requested for reimbursement are paid within the liquidation period required under the grant program.

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.

TPAF 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.



**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 \$19,000 for 2017-18.

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 not appointed a 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.

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 indicated that 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.

- **Finding (CAFR Finding 2018-011)** – We noted numerous instances where contract awards and purchases were made in excess of the bid threshold where there was no documentation provided to support publicly advertised bids were sought, State contract or cooperative purchasing contracts were awarded or a competitive contracting process was conducted in accordance with the requirements of the Public School Contracts Law (N.J.S.A. 18A:18A). In addition, we noted several contract awards and purchases in excess for the bid threshold that were not approved by Board resolution and made part of the official minutes in accordance with N.J.S.A. 18A:18A-4.

**Recommendation** - Internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid threshold are made in accordance with the requirements of the Public School Contracts Law. In addition, documentation be maintained on file and made available for audit to support the District's compliance with the procedures required under the Public School Contracts Law (N.J.S.A. 18A:18A).

- **Finding (CAFR Finding 2018-011)** – We noted instances where contract awards and purchases were made in excess of the quote threshold where there was no documentation to support competitive quotations were solicited by the District in accordance with N.J.S.A. 18A:18A-37(a).

**Recommendation** – Purchasing procedures be enhanced to ensure competitive quotations are solicited and attached to purchase orders for all contract awards and purchases that exceed the quote threshold in accordance with N.J.S.A. 18A:18A-37(a).

- **Finding (CAFR Finding 2018-011)** – We noted contracts awarded in the minutes where the resolution did not specify the contract amount or not to exceed amount as required by the Public School Contracts Law.

**Recommendation** – Board resolutions for contract awards include the contract amount or a not to exceed amount in accordance with the Public School Contracts Law.

- **Finding** – We noted political contribution disclosure forms and business registration certificates were not on file and available for audit for certain vendors requiring such documentation.

**Recommendation** – Political contribution disclosure forms and business registration certificates be obtained from vendors and maintained on file as required.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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

- **Finding (CAFR Finding 2018-011)** – We noted numerous instance where professional service contract awards were not publicly advertised as required by the Public School Contract Law (N.J.S.A. 18A:18A-5(a)(1)).

**Recommendation** – Procedures be enhanced to ensure professional service contract awards are publicly advertised as required by N.J.S.A. 18A:18A-5(a)(1).

- **Finding** – We noted several instances where a formal written contract for professional or consulting services was not made available for audit.

**Recommendation** - Formal written contracts for professional or consulting services be on file and made available for audit.

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.

**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 Position (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.

- **Finding** – Our audit of the food service collections revealed the following:
  - Detailed monthly sales report generated from the POS system were not in agreement with the individual daily POS sales report in certain instances.
  - Certain monthly sales report were not provided for the audit.

**Recommendation** – Daily transactions (sales) reports be in agreement with monthly sales reports. In addition, all monthly sales reports be retained and made available for audit.

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 provisions which guarantees that the food service program will return a profit of at least \$15,000. The operating results provision has been met.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Food Service Fund (continued)**

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 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.

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).

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

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

**Preschool Program Fund**

Separate cash receipts and disbursement journals and billing records were maintained for the preschool program.

All disbursements are processed through the District's General operating account and reimbursed by the Preschool Program account.

**Student Body Activities**

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

Cash receipts and disbursements records reviewed disclosed the following.

- **Finding** – We noted that uniform deposit accounting forms nor pre-numbered receipt tickets were utilized for monies collected in the various school accounts.

**Recommendation** – Uniform deposit accounting forms and pre-numbered receipt tickets be utilized for all monies collected in all the District's student activity accounts.

- **Finding** – We noted a detailed list of students and amounts paid to support deposits made were incomplete or not prepared, where applicable, for the Elementary School and High School student activity accounts.

**Recommendation** – Deposits be supported by a list detailing students and amounts paid, where applicable, for the Elementary and High School student activity accounts.

- **Finding** – We noted monies held for deposit to the High School student activity account in the amount of \$151 was missing from a lockbox in the Central Office.

**Recommendation** – Greater safeguards be implemented to ensure only the Treasurer has access to monies collected and held for deposit to the student activity accounts.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Student Body Activities (continued)**

- **Finding** – We noted financial transactions for various activities (i.e. scholarships, grants, vending , gym upgrades and fines) in the Elementary and High School student activity accounts that were not for student related type activities.

**Recommendation** – Financial transactions accounted for in the Elementary and High School student activity accounts be only for student related type activities.

- **Finding** – Our audit of disbursements from the Elementary School student activity accounts revealed:
  - Proper approval signatures were missing on voucher request forms in certain instances.
  - Certain payments made did not have supporting documentation (i.e. vendor invoices).

**Recommendation** – The required approval signatures on voucher request forms and supporting documentation be obtained prior to the issuance of checks from the Elementary School student account.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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 immaterial exceptions. 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 2017-2018 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 workpapers was verified with exceptions as follows. The results of our procedures are presented in the Schedule of Audited Enrollments.

- **Finding** – Our audit of the DRTRS revealed the following:
  - Numerous students classified as regular special education students whose individual education plan (IEP) did not indicate transportation was required.
  - Student classified as regular special education student was not listed on class register and IEP was not on file in the District.
  - Student classified as regular special education student without special transportation needs should have been classified as special education student with special transportation needs.
  - Student classified as regular education student should have been classified as special education student with special transportation needs.

**Recommendation** – Internal control procedures be revised to ensure students included in the DRTRS are eligible to be reported and are properly classified.

Our procedures also included a review of transportation related contracts and purchases. Based on our review of transportation related purchases of goods and services, the District complied with proper bidding procedures and award of contracts.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Facilities and Capital Assets**

Our procedures included a review of the awarding of contracts for eligible facilities construction.

- **Finding (CAFR Finding 2018-003)** – Our audit of the District’s capital assets revealed documentation to support amounts reported for land and building/building improvements and related depreciation was not maintained by the District and made available for audit.

**Recommendation** – The District maintain detailed accounting records to support capital assets for land and building/building improvements and related depreciation reported in the District’s financial statements.

- **Finding** – We noted numerous capital assets reported as machinery and equipment with an initial cost below the capitalization threshold established by the District of \$2,000.

**Recommendation** – The District review its machinery and equipment inventory and make appropriate adjustments for assets valued below the capitalization threshold.

**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).

**Suggestions to Management**

- Tuition rates and preschool program fees be approved by Board action and made part of the official minutes.
- A resolution (or memo) should be presented for adoption by the Board to recognize the fact the audited legal costs exceeded 130% of the audited statewide average as published in the Taxpayer Guide to Education Spending and to report the control measures that will be implemented to reduce such costs, as appropriate.

**Follow-up Prior Year Findings**

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

**LYNDHURST BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**N/A – INFORMATION NOT REQUIRED**

**LYNDHURST BOARD OF EDUCATION  
FOOD SERVICE FUND  
NET CASH RESOURCE SCHEDULE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		<b>Food Service</b>	
<b><u>Net Cash Resources:</u></b>			
<b>CAFR</b>	*	<b>Current Assets</b>	
B-4		Cash & Cash Equiv.	\$ 33,968
B-4		Due from Other Gov'ts	19,607
B-4		Accounts Receivable	5,565
B-4		Due from Other Funds	4,000
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	(52,859)
B-4		Less Unearned Revenue	(15,578)
			(68,437)
<b>Net Cash Resources</b>			<b>\$ (5,297) (A)</b>
 <b><u>Net Adj. Total Operating Expense:</u></b>			
B-5		Tot. Operating Exp.	802,711
B-5		Less Depreciation	(1,265)
			(1,265)
<b>Adj. Tot. Oper. Exp.</b>			<b>\$ 801,446 (B)</b>
 <b><u>Average Monthly Operating Expense:</u></b>			
B / 10			<b>\$ 80,145 (C)</b>
 <b><u>Three times monthly Average:</u></b>			
3 X C			<b>\$ 240,434 (D)</b>

TOTAL IN BOX A	\$	(5,297)	
LESS TOTAL IN BOX D	\$	240,434	
NET	\$	(245,731)	

**Net Cash Resources do not Exceed 3 Months Average Expenses.**

**LYNDHURST BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 13, 2017  
SCHEDULE OF AUDITED ENROLLMENTS**

	2018-2019 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 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	33		33		-	-	33		33		-					
Half Day Preschool 4 Years Old	29		29		-	-	29		29		-					
Full Day Preschool 3 Years Old					-	-					-					
Full Day Preschool 4 Years Old	28		28		-	-	15		13		2					
Half Day Kindergarten					-	-					-					
Full Day Kindergarten	156		155		1	-	78		77		1					
Grade 1	154		154		-	-	40		40		-					
Grade 2	168		168		-	-	66		66		-					
Grade 3	147		147		-	-	147		148		(1)					
Grade 4	164		164		-	-	47		48		(1)					
Grade 5	155		155		-	-	43		43		-					
Grade 6	167		167		-	-	69		69		-					
Grade 7	170		170		-	-	48		48		-					
Grade 8	147		147		-	-	46		46		-					
Grade 9	152	1	152	1	-	-	152	1	152	1	-					
Grade 10	158		158	1	-	(1)	158	1	160	-	(2)	1				
Grade 11	160	1	160	1	-	-	160	1	159	1	1					
Grade 12	172		172		-	-	172		173		(1)					
Post- Graduate					-	-					-					
Adult High School (15+ Credits)					-	-					-					
Adult High School (1-14 Credits)					-	-					-					
Subtotal	2,160	2	2,159	3	1	(1)	1,303	3	1,304	2	(1)	1		-	-	-
Sp Ed - Elementary	150		150		-	-	26		26		-	-	3	3	3	-
Sp Ed - Middle School	93		93		-	-	16		16		-	-	2	2	2	-
Sp Ed - High School	105		105		-	-	18		18		-	-	7	6	6	-
Subtotal	348	-	348	-	-	-	60	-	60	-	-	-	12	11	11	-
County Vocational - Regular					-	-					-	-				
County Vocational - F.T. Post-Second					-	-					-	-				
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-		-	-	-
Totals	2,508	2	2,507	3	1	(1)	1,363	3	1,364	2	(1)	1	12	11	11	-
Percentage Error					0.04%						-0.07%		0.00%		0.00%	



**LYNDHURST BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 13, 2017  
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident 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			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	33.0	33.0	-	12	12	-
Grade 1	43.0	43.0	-	16	14	2
Grade 2	38.0	38.0	-	14	14	-
Grade 3	34.0	34.0	-	13	13	-
Grade 4	47.0	47.0	-	17	17	-
Grade 5	26.0	26.0	-	10	9	1
Grade 6	35.0	35.0	-	13	13	-
Grade 7	26.0	26.0	-	10	11	(1)
Grade 8	33.0	33.0	-	12	11	1
Grade 9	26.0	26.0	-	10	10	-
Grade 10	28.0	28.0	-	10	10	-
Grade 11	26.5	26.5	-	10	10	-
Grade 12	36.0	36.0	-	13	13	-
Post- Graduate	-	-	-	-	-	-
Adult High School (15+ Credits)	-	-	-	-	-	-
Adult High School (1-14 Credits)	-	-	-	-	-	-
<b>Subtotal</b>	<b>431.5</b>	<b>431.5</b>	<b>-</b>	<b>160</b>	<b>157</b>	<b>3</b>
Sp Ed - Elementary	45.0	45.0	-	17	18	(1)
Sp Ed - Middle School	25.0	25.0	-	9	8	1
Sp Ed - High School	30.0	30.0	-	11	11	-
<b>Subtotal</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>	<b>37</b>	<b>37</b>	<b>-</b>
County Vocational - Regular	-	-	-	-	-	-
County Vocational - F.T. Post-Second	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>531.5</b>	<b>531.5</b>	<b>-</b>	<b>197.0</b>	<b>194.0</b>	<b>3.0</b>
Percentage Error			<u>0.00%</u>			<u>1.52%</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			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	2	2	-	1	1	-
Grade 1	3	3	-	2	2	-
Grade 2			-			-
Grade 3	3	3	-	3	2	1
Grade 4			-			-
Grade 5	1	1	-	1	1	-
Grade 6	4	4	-	4	4	-
Grade 7			-			-
Grade 8	3	3	-	2	2	-
Grade 9	2	2	-	2	2	-
Grade 10	2	2	-	2	1	1
Grade 11	4	4	-	4	4	-
Grade 12	4	4	-	3	3	-
Post- Graduate	-	-	-	-	-	-
Adult High School (15+ Credits)	-	-	-	-	-	-
Adult High School (1-14 Credits)	-	-	-	-	-	-
<b>Subtotal</b>	<b>28</b>	<b>28</b>	<b>-</b>	<b>24</b>	<b>22</b>	<b>2</b>
Sp Ed - Elementary			-			-
Sp Ed - Middle School			-			-
Sp Ed - High School			-			-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>28</b>	<b>28</b>	<b>-</b>	<b>24</b>	<b>22</b>	<b>2</b>
Percentage Error			<u>0.00%</u>			<u>8.33%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	52	52	-	32	31	1
Regular - Special Ed	36	36	-	22	10	12
Transported - Non Public	-	-	-	-	-	-
Special Needs	98	98	-	61	63	(2)
<b>Totals</b>	<b>186</b>	<b>186</b>	<b>-</b>	<b>115</b>	<b>104</b>	<b>11</b>
Percentage Error			<u>0.0%</u>			<u>9.6%</u>

**LYNDHURST BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 13, 2017  
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	Errors
Half Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	4	4	-	2	2	-
Grade 1	4	4	-	3	3	-
Grade 2			-			-
Grade 3	3	3	-	3	3	-
Grade 4			-			-
Grade 5	2	2	-	2	2	-
Grade 6	2	2	-	2	2	-
Grade 7	2	2	-	2	2	-
Grade 8	2	2	-	2	2	-
Grade 9			-			-
Grade 10	1	1	-	1	1	-
Grade 11	4	4	-	4	3	1
Grade 12	2	2	-	1	1	-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	26	26	-	22	21	1
Sp Ed - Elementary			-			-
Sp Ed - Middle School			-			-
Sp Ed - High School			-			-
Subtotal	0	-	-	-	-	-
County Vocational - Regular			-			-
County Vocational - F.T. Post-Second			-			-
Subtotal			-			-
Totals	26	26	-	22	21	1
Percentage Error			<u>0.00%</u>			<u>4.55%</u>

**LYNDHURST BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION 1A**

2017-2018 Total General Fund Expenditures per the CAFR	\$	45,894,568
Increased by:		
Transfer from General Fund to Preschool Program Fund		164,315
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>(5,724,129)</u>
Adjusted 2017-2018 General Fund Expenditures	\$	<u>40,334,754</u>
2% of Adjusted 2017-2018 General Fund Expenditures	\$	<u>806,695</u>
Enter Greater of 2% of Adjusted 2017-2018 General Fund Expenditures or \$250,000	\$	806,695
Increased by: Allowable Adjustments		<u>66,158</u>
Maximum Unassigned Fund Balance	\$	<u>872,853</u>

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2018 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	(3,819,394)
Decreased by:		
Year End Encumbrances	\$	350,233
Other Restricted Fund Balances - Disallowed Grant Costs		<u>301,224</u>
		<u>651,457</u>
	\$	<u>(4,470,851)</u>
Fund Balance - Excess Surplus	\$	<u>-</u>

**SECTION 3**

**Recapitulation of Excess Surplus as of June 30, 2018**

Excess Surplus	\$	-
Excess Surplus - Designated for Subsequent Year's Expenditures		<u>-</u>
	\$	<u>-</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	\$	44,988
Non Public School Transportation Aid		<u>21,170</u>
	\$	<u>66,158</u>

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

- \* 1. In all instances a properly executed purchase order be approved and issued prior to the purchase of goods or rendering of services to ensure confirming orders do not occur.
- 2. Receipt of goods and payment approval signatures be obtained on all purchase orders prior to payment.
- 3. Internal control procedures be revised to ensure interfund loans from the Summer Savings account are prohibited.
- 4. Pension reports be filed with the State of New Jersey for the fiscal year 2017 retroactive salaries paid in fiscal year 2018.
- 5. Internal control procedures be revised to ensure employee health benefit contributions are calculated based on current premium rates
- 6. Payroll registers be certified by the Superintendent, Board President and Board Secretary in accordance with N.J.S.A 18A:19-4.1.
- 7. The District update its position control roster to be in agreement with the District's budget and payroll accounting records in accordance with N.J.A.C. 6A:23A-6.8.
- 8. The District review employee's enrollment eligibility in the State of New Jersey pension systems to ensure employees are properly enrolled.
- 9. Internal control procedures be reviewed and revised to ensure expenditures are recorded in the year they are incurred and become due and payable.
- 10. Monthly Board Secretary and Treasurer reports be submitted to and approved by the Board in a timely manner in accordance with the requirements of N.J.S.A. 18A:17-36.
- \* 11. The District develop, approve and implement a corrective action plan to eliminate the general operating deficit at year end and to ensure internal control procedures are in place to prevent operating deficits and overexpenditures from occurring in future years.
- 12. The modified project budget be in agreement with the prior year available project balance and all required budget accounts be set-up in the accounting system for the 2016 referendum project in the Capital Projects Fund.
- 13. Internal control procedures be enhanced to ensure professional service contract awards and amounts be approved by Board action and contracts encumbered in the accounting records through the issuance of a purchase order in the Capital Projects Fund.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**RECOMMENDATIONS**

**II. Financial Planning, Accounting and Reporting (continued)**

14. With respect to travel expense reimbursements, the District adhere to Board policy to ensure:
  - o Purpose and relevance statements are attached to travel reimbursement requests or purchase orders.
  - o All travel events and attendees be pre-approved by Board resolution as required.
15. Internal control procedures be revised to ensure IDEA grant expenditures requested for reimbursement are paid within the liquidation period required under the grant program.

**III. School Purchasing Program**

It is recommended that:

1. Internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid threshold are made in accordance with the requirements of the Public School Contracts Law. In addition, documentation be maintained on file and made available for audit to support the District's compliance with the procedures required under the Public School Contracts Law (N.J.S.A. 18A:18A).
2. Purchasing procedures be enhanced to ensure competitive quotations are solicited and attached to purchase orders for all contract awards and purchases that exceed the quote threshold in accordance with N.J.S.A. 18A:18A-37(a).
3. Board resolutions for contract awards include the contract amount or a not to exceed amount in accordance with Public School Contracts Law.
4. Political contribution disclosure forms and business registration certificates be obtained from vendors and maintained on file as required.
5. Procedures be enhanced to ensure professional service contract awards are publicly advertised as required by N.J.S.A. 18A:18A-5(a)(1).
6. Formal written contracts for professional or consulting services be on file and made available for audit.

**IV. School Food Services**

It is recommended that daily transactions (sales) reports be in agreement with monthly sales reports. In addition, all monthly sales reports be retained and made available for audit.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**RECOMMENDATIONS**

**V. Preschool Program**

There are none.

**VI. Student Body Activities**

It is recommended that:

1. Uniform deposit accounting forms and pre-numbered receipt tickets be utilized for all monies collected in all the District's student activity accounts.
2. Deposits be supported by a list detailing students and amounts paid, where applicable, for the Elementary and High School student activity accounts.
3. Greater safeguards be implemented to ensure only the Treasurer has access to monies collected and held for deposit to the student activity accounts.
4. Financial transactions accounted for in the Elementary and High School student activity accounts be only for student related type activities.
5. The required approval signatures on voucher request forms and supporting documentation be obtained prior to the issuance of checks from the Elementary School student account.

**VII. Application for State School Aid**

There are none.

**VIII. Transportation**

It is recommended that internal control procedures be revised to ensure students included in the DRTRS are eligible to be reported and are properly classified.

**IX. Facilities and Capital Assets**

It is recommended that:

1. The District maintain detailed accounting records to support capital assets for land and building/building improvements and related depreciation reported in the District's financial statements.
2. The District review its machinery and equipment inventory and make appropriate adjustments for assets valued below the capitalization threshold.

**LYNDHURST BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**RECOMMENDATIONS**

**X. Status of Prior Years' Audit Findings/Recommendations**

A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings, except the recommendations denoted by an asterisk.

**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  
Certified Public Accountant  
Public School Accountant