# Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance

**Report of Independent Auditors** ................................................................. 1
**Scope of Audit** ............................................................................................. 2
**Administrative Practices and Procedures**
- Insurance ........................................................................................................ 2
- Official Bonds .................................................................................................. 2
- Tuition Charges ............................................................................................... 2
**Financial Planning, Accounting and Reporting**
- Examination of Claims .................................................................................. 2
- Payroll Account and Position Control Roster .................................................. 2
- Reserve for Encumbrances and Accounts Payable ......................................... 3
**Classification of Expenditures**
  - General Classifications ................................................................................ 3
  - Administrative Classifications ..................................................................... 3
- Board Secretary's Records ............................................................................... 3
- Treasurer's Records ........................................................................................ 3
- Elementary and Secondary Education Act as Amended by the Every Student Succeeds Act (ESSA) ............................................................ 3
- Other Special Federal and/or State Projects .................................................... 3
- TPAF Reimbursement ..................................................................................... 4
**School Purchasing Programs**
- Contracts and Agreements Requiring Advertisement for Bids ....................... 4
- School Food Service ....................................................................................... 4
- Student Body Activities .................................................................................. 4
- Application for State School Aid .................................................................... 4
- Pupil Transportation ....................................................................................... 4
- Testing for Lead of All Drinking Water in Educational Facilities .................. 5
- Follow-Up on Prior Years' Findings ............................................................... 5
- Acknowledgment ............................................................................................ 6
- Schedule of Audited Enrollments ................................................................... 7
- Excess Surplus Calculation ............................................................................ 10
- Audit Recommendations Summary ............................................................... 12

*Tax ID #22-6001793*
REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Essex Fells School District
County of Essex, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Essex Fells School District in the County of Essex for the year ended June 30, 2018, and have issued our report thereon dated January 31, 2019.

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

This report is intended for the information of the Essex Fells Board of Education’s management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Newark, New Jersey
January 31, 2019

JOSEPH J. FACCONE
Licensed Public School Accountant #194

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts, as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Official Bonds

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven J. Lella</td>
<td>Board Secretary/School Business Administrator</td>
<td>$25,000.00</td>
</tr>
<tr>
<td>Marie Criscuolo</td>
<td>Treasurer of School Moneys</td>
<td>152,000.00</td>
</tr>
</tbody>
</table>

There is an Employee Dishonesty Bond with the New Jersey Schools Insurance Group covering all other employees in the amount of $50,000.00.

Tuition Charges

Not Applicable.

Financial Planning, Accounting and Reporting

Examination of Claims

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

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the payroll account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the payroll agency account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

The propriety of deductions from individual salaries for Pensions, Social Security, Withholding Tax and other purposes was not verified as part of this examination.
Reserve for Encumbrances and Accounts Payable

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

All encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.

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 specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary’s Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in satisfactory condition. The prescribed contractual order system was followed.

District funds were provided and expended in the proper GAAP account codes based upon audit testing of transactions.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

Treasurer’s Records

The Treasurer’s records were found to be maintained properly.

Acknowledgment of the Board’s receipt of the Treasurer’s Report was included in the minutes.

Elementary and Secondary Education Act 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 the projects under Titles I and VI of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questioned costs.

Other Special Federal and/or State Projects

The District’s Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR. Expenditures of federal awards did not meet the $750,000.00 expenditure threshold requiring a federal single audit

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.

The study of compliance for the special projects did not indicate any areas of noncompliance.
TPAF Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers’ Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids


The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor’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 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 provision of N.J.S.A. 18A:18A-4.

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

School Food Service

Not Applicable.

Student Body Activities

Cash receipts and disbursement records were examined only insofar as the local records permitted. Our review of the student activity fund did not determine any exceptions.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (ASSA) 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 ASSA was compared to the District workpapers without exception. The information that was included on the workpapers was verified without exception. 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 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 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 results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.
Testing for Lead of All Drinking Water in Educational Facilities

The School District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The School District did submit 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 Years' Findings

Not Applicable
Acknowledgment

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

Newark, New Jersey
January 31, 2019
<table>
<thead>
<tr>
<th>Half Day Preschool 3 Years Old</th>
<th>2018-2019 Application for State School Aid</th>
<th>Sample for Verification</th>
<th>Private Schools for Handicapped</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reported on A.S.S.A. Workpapers</td>
<td>Reported on On-Roll Errors</td>
<td>Sample Selected from Workpapers Verified per Registers On-Roll Errors</td>
</tr>
<tr>
<td></td>
<td>Full</td>
<td>Shared</td>
<td>Full</td>
</tr>
<tr>
<td>Half Day Preschool 3 Years Old</td>
<td>8</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Half Day Preschool 4 Years Old</td>
<td>16</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Full Day Kindergarten</td>
<td>29</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>One</td>
<td>24</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Two</td>
<td>32</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Three</td>
<td>28</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Four</td>
<td>25</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Five</td>
<td>18</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Six</td>
<td>20</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td>200</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>Special Ed - Elementary</td>
<td>25</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Special Ed - Middle</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td>28</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>226</td>
<td>226</td>
<td></td>
</tr>
<tr>
<td>Percentage Error</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Errors per Reported on Registers
- Sample Verified per Selected from Workpapers
- Errors per Sample for Verification
## SCHEDULE OF AUDITED ENROLLMENTS

### ESSEX FELLS SCHOOL DISTRICT

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

**ENROLLMENT AS OF OCTOBER 13, 2017**

<table>
<thead>
<tr>
<th>Low Income</th>
<th>Sample for Verification</th>
<th>Resident LEP Low Income</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Free</td>
<td>Reduced</td>
</tr>
<tr>
<td></td>
<td>A.S.S.A. as</td>
<td>Low Income</td>
</tr>
<tr>
<td>Half Day Preschool 3 Years Old</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Half Day Preschool 4 Years Old</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full Day Kindergarten</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Two</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Three</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Four</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Five</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Six</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Ed - Elementary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Ed - Middle</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Percentage Error | | | | | | | | | | | | |

### Transportation

<table>
<thead>
<tr>
<th>Reg. - Public Schools, col. 1</th>
<th>Reg. - Special Education, col. 4</th>
<th>Nonpublic Schools (All), col. 3</th>
<th>Spec. - Special Needs, col. 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported on DRTRS by DOC</td>
<td>Reported on DRTRS by District</td>
<td>Reported on DRTRS by District</td>
<td>Reported on DRTRS by District</td>
</tr>
<tr>
<td>Errors</td>
<td>Tested</td>
<td>Verified</td>
<td>Errors</td>
</tr>
<tr>
<td>Regular Average Mileage = Regular Including Grade PK Students</td>
<td>Special Average = Special Ed with Special Needs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regular Average Mileage = Regular Excluding Grade PK Students</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 3.0 | 3.0 | - | 3.0 | 3.0 | - | 3.0 | 3.0 | - |
| 3.0 | 3.0 | - | 3.0 | 3.0 | - | 3.0 | 3.0 | - |

| Percentage Error | | | | | | | | | | | |

<table>
<thead>
<tr>
<th>Reported</th>
<th>Recalculated</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.2</td>
<td>10.2</td>
</tr>
</tbody>
</table>
## SCHEDULE OF AUDITED ENROLLMENTS

### ESSEX FELLS SCHOOL DISTRICT

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

**ENROLLMENT AS OF OCTOBER 13, 2017**

<table>
<thead>
<tr>
<th>Resident LEP NOT Low Income</th>
<th>Sample for Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported on A.S.S.A. as Low</td>
<td>Sample Selected from Workpapers</td>
</tr>
<tr>
<td>NOT Low Income</td>
<td>Verified to Application from Workpapers and Register</td>
</tr>
<tr>
<td>NOT Low Income</td>
<td>Sample Errors</td>
</tr>
</tbody>
</table>

- Half Day Preschool 3 Years Old
- Half Day Preschool 4 Years Old
- Full Day Kindergarten
  - One
  - Two
  - Three
  - Four
  - Five
  - Six
- Sub-Total
- Special Ed - Elementary
- Special Ed - Middle
- Sub-Total
- Totals

**Percentage Error**
ESSEX FELLS SCHOOL DISTRICT
COUNTY OF ESSEX
FISCAL YEAR ENDED JUNE 30, 2018

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1 $ 5,682,978.87

Decreased by:
  On-Behalf TPAF Pension and Social Security 698,570.46

Adjusted 2017-18 General Fund Expenditures $ 4,984,408.41

2% of Adjusted 2017-18 General Fund Expenditures
  (Times .02) $ 99,688.17

Enter Greater of Above or $250,000 $ 250,000.00

Increased by: Allowable Adjustment 51,434.00

Maximum Unassigned/Undesignated-Unreserved Fund Balance  $ 301,434.00

SECTION 2

Total General Fund - Fund Balances @ 6-30-18
  (Per CAFR Budgetary Comparison Schedule C-1) $ 951,919.25

Decreased by:
  Year-End Encumbrances 2,108.00
  Legally Restricted - Excess Surplus - Designated for
    Subsequent Year's Expenditures 200,000.00
  Other Restricted Fund Balances 248,377.25

Total Unassigned Fund Balance $ 501,434.00

SECTION 3

Restricted Fund Balance - Excess Surplus $ 200,000.00
ESSEX FELLS SCHOOL DISTRICT  
COUNTY OF ESSEX  
FISCAL YEAR ENDED JUNE 30, 2018

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures  $ 200,000.00
Reserved Excess Surplus  
Total Excess Surplus  $ 400,000.00

Detail of Allowable Adjustments

Extraordinary Aid  $ 51,434.00
Total Allowable Adjustments  $ 51,434.00

Detail of Other Restricted Fund Balance

Capital Reserve  $ 248,377.25
Total Other Restricted Fund Balance  $ 248,377.25
ESSEX FELLS SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FISCAL YEAR ENDED JUNE 30, 2018

Recommendations:

1. Administrative Practices and Procedures
   None

2. Financial Planning, Accounting and Reporting
   None

3. School Purchasing Program
   None

4. School Food Service
   None

5. Student Body Activities
   None

6. Application for State School Aid
   None

7. Pupil Transportation
   None

8. Facilities and Capital Assets
   None

9. Follow-Up on Prior Years’ Findings
   Not Applicable