AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

Report of Independent Auditors
Administrative Findings - Financial, Compliance and Performance Reporting
Scope of Audit

Administrative Practices and Procedures
   Insurance
   Officials Bonds
   Tuition Charges

Financial Planning, Accounting and Reporting
   Examination of Claims
   Payroll Account
   Reserve for Encumbrances and Accounts Payable
   Board Secretary’s Records
   Treasurer’s Records
   T.P.A.F. Reimbursement
   Elementary and Secondary Education Act (E.S.E.A.) as amended by the
      Every Student Succeeds Act (ESSA)
   Other Special Federal and/or State Projects

School Purchasing Program
   Contracts and Agreements Requiring Advertisement for Bids
   School Food Service Fund
   Pupil Transportation
   Classification of Expenditures
   Application for State School Aid
   Follow-up on Prior Year’s Findings
   Acknowledgment
   2% Calculation of Excess Surplus
   Application for State School Aid Summary
   Number of Meals Served and (Over)/Under Claim
   Audit Recommendations Summary

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11.
12.
REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Lakehurst School District
County of Ocean, 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 general-purpose financial statements of the Board of Education of the Borough of Lakehurst School District in the County of Ocean, for the year ended June 30, 2018, and have issued our report thereon dated November 19, 2018.

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 Borough of Lakehurst 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.

November 19, 2018
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

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; Insurance Schedule contained in the district’s CAFR.

Officials Bond

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barry Peralman</td>
<td>Business Administrator/Board Secretary</td>
<td>$85,000</td>
</tr>
<tr>
<td>Elizabeth Sarantinoudis</td>
<td>Treasurer</td>
<td>200,000</td>
</tr>
</tbody>
</table>

There is a Public Employees’ Faithful Performance Blanket Position Bond with the Commerce National Insurance Company covering all other employees with multiple coverage of $100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f) 4.

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.
**Payroll Account**

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

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

A payroll service is controlling the funds for payment of various taxes.

**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.

**Board Secretary’s Records**

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions. The records of the Board Secretary are maintained in an outstanding condition.

The Board Secretary’s records were compared to the Treasurer’s records and found to be in agreement.

**Treasurer’s Records**

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

The Treasurer’s cash balance for the general operating account was in agreement with the reconciled cash balance as determined during the audit.

**T.P.A.F. Reimbursement**

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

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, and Title IIA of the E.S.E.A.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable 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.

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 indicated no areas of noncompliance

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 N.J.S. 18A:18A-3 was amended to read as follows:

a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of $40,000 the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) 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 $40,000.00. 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.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S. 18A:18A-4 is amended to read as follows:

a. Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids - (Continued)

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 Solicitor’s opinion should be sought before a commitment is made.

The results of our examination indicated that no 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 provisions of N.J.S.A. 18A:18A-4.

School Food Service Fund

The school food service program was not selected as a major Federal and/or State program. However, the program expenditures exceeded $100,000 in Federal and/or State support. Accordingly, we inquired of school management or appropriate food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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.

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. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed and agreed with meal counts. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review.

Cash receipts and bank records were reviewed for timely deposits per state guidelines.

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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education.

The cash disbursement records reflected expenditures for program related goods and services. Districts with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. 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.

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

The food service for 2017-2018 contracted with Sodexho Food Services Inc. thru Manchester Township Board of Education for preparing and transporting meals. There is no guarantee in the contract.

Exhibits reflecting the Child Nutrition Program operations are included in Exhibits B-4 thru B-6.

Finding 19-01: It was noted that the District’s Food Service operations continues to have an increasing deficit.

Recommendation 19-01: That the District should review Food Service operations and determine how to limit or eliminate the deficit.

Pupil Transportation

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

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 with N.J.A.C. 6A:23A-2.4. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 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. 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 districts written procedures appear to be adequate for the recording of student enrollment data.
Follow-Up on Prior Year's Findings

None

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit staff.
2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures Per the CAFR $9,499,559

Decreased by:
On-Behalf TPAF Pension & Social Security (784,562)

Adjusted 2017-18 General Fund Expenditures $8,714,997

2% of Adjusted 2017-18 General Fund Expenditures $174,300

Maximum Allowed $250,000
Increased by: Allowable Adjustment 645,957

Maximum Unassigned Fund Balance $895,957

Total General Fund – Fund Balance @ 6-30-18 $620,004

Decreased by:
Unreserved – Designated for Subsequent Year’s Expenditures 344,559

Total Unassigned Fund Balance $275,445

Maximum Unassigned Fund Balance $895,957

Reserved Fund Balance – Excess Surplus $-0-

Detail of Allowable Adjustments

Non-Public Transportation Aid $870
Extraordinary Aid 43,771
Impact Aid 601,316

Total Allowable Adjustments $645,957

Fund Balance

Unreserved – Designated for Subsequent Year’s Expenditures $344,559
Unreserved 275,445

$620,004
## LAKEHURST SCHOOL DISTRICT

### APPLICATION FOR STATE SCHOOL AID SUMMARY

**ENROLLMENT AS OF OCTOBER 15, 2017**

<table>
<thead>
<tr>
<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>Reported On A.S.S.A. on Roll</td>
<td>Reported on Workpapers on Roll</td>
<td>Errors</td>
</tr>
<tr>
<td>Full Day Preschool - 3 yrs Old</td>
<td>Full  11</td>
<td>Full  11</td>
</tr>
<tr>
<td>Full Day Preschool - 4 yrs Old</td>
<td>Full  33</td>
<td>Full  33</td>
</tr>
<tr>
<td>Full Day Kindergarten</td>
<td>Full  30</td>
<td>Full  30</td>
</tr>
<tr>
<td>One</td>
<td>Full  23</td>
<td>Full  23</td>
</tr>
<tr>
<td>Two</td>
<td>Full  16</td>
<td>Full  16</td>
</tr>
<tr>
<td>Four</td>
<td>Full  24</td>
<td>Full  24</td>
</tr>
<tr>
<td>Five</td>
<td>Full  26</td>
<td>Full  26</td>
</tr>
<tr>
<td>Six</td>
<td>Full  21</td>
<td>Full  21</td>
</tr>
<tr>
<td>Seven</td>
<td>Full  17</td>
<td>Full  17</td>
</tr>
<tr>
<td>Eight</td>
<td>Full  26</td>
<td>Full  26</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>252</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

| Special Ed. - Elementary                  | Full  61 | Full  61 | Full  61 | Shared 61 | Shared 61 | Full  61 | Shared 61 | Full  61 | Shared 61 | Full  2 | Shared 2 |
| Special Ed. - Middle School               | Full  24 | Full  24 | Full  24 | Shared 24 | Shared 24 | Full  24 | Shared 24 | Full  24 | Shared 24 | Full  3 | Shared 3 |
| Special Ed. - High School                 | Full  2.5 | Full  2.5 | Full  2.5 | Shared 2.5 | Shared 2.5 | Full  2.5 | Shared 2.5 | Full  2.5 | Shared 2.5 | Full  2.5 | Shared 2.5 |
| **Subtotal**                              | **85** | **0** | **85** | **0** | **85** | **0** | **85** | **0** | **85** | Full  7.5 | Shared 7.5 |

| Co. Voc. - Regular                        | Full  82 | Full  82 | Full  82 | Shared 82 | Shared 82 | Full  82 | Shared 82 | Full  82 | Shared 82 | Full  7.5 | Shared 7.5 |
| Co. Voc. - Ft. Post Sec.                  | Full  337 | Full  337 | Full  337 | Shared 337 | Shared 337 | Full  337 | Shared 337 | Full  337 | Shared 337 | Full  7.5 | Shared 7.5 |

**Totals**                                  | **337** | **0** | **337** | **0** | **337** | **0** | **337** | **0** | **337** | Full  7.5 | Shared 7.5 |

**Percentage Error**                       | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** |
# APPLICATION FOR STATE SCHOOL AID SUMMARY

## ENROLLMENT AS OF OCTOBER 15, 2017

<table>
<thead>
<tr>
<th>Low Income</th>
<th>Report on</th>
<th>Sample for Verification</th>
<th>Resident LEP Low Income</th>
<th>Sample for Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A.S.S.A. as</td>
<td>Workpapers</td>
<td>Selected from</td>
<td>Application and Register</td>
</tr>
<tr>
<td></td>
<td>Low Income</td>
<td>Errors</td>
<td>Sample Verified to</td>
<td>Low Income Errors</td>
</tr>
<tr>
<td>Full Day Preschool - 3yrs</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Full Day Preschool - 4yrs</td>
<td>15</td>
<td>15</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Full Day Kindergarten</td>
<td>19</td>
<td>19</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>One</td>
<td>11</td>
<td>11</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Two</td>
<td>9</td>
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<td>4</td>
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</tr>
<tr>
<td>Three</td>
<td>13</td>
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<tr>
<td>Four</td>
<td>11</td>
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<td>5</td>
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<tr>
<td>Five</td>
<td>15</td>
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<td>9</td>
<td>9</td>
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<td>Six</td>
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<td>5</td>
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<td>Seven</td>
<td>4</td>
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<td>Eight</td>
<td>15</td>
<td>15</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Subtotal</td>
<td>121</td>
<td>121</td>
<td>73</td>
<td>73</td>
</tr>
<tr>
<td>Special Ed. - Elementary</td>
<td>35</td>
<td>35</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Special Ed. - Middle School</td>
<td>17</td>
<td>17</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Special Ed. - High School</td>
<td>42</td>
<td>42</td>
<td>35</td>
<td>35</td>
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<tr>
<td>Subtotal</td>
<td>173</td>
<td>173</td>
<td>108</td>
<td>108</td>
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<tr>
<td>Percentage Error</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Low Income</th>
<th>Report on</th>
<th>Sample for Verification</th>
<th>Resident LEP Not Low Income</th>
<th>Sample for Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A.S.S.A. as</td>
<td>Workpapers</td>
<td>Selected from</td>
<td>Test Score</td>
</tr>
<tr>
<td></td>
<td>Low Income</td>
<td>Errors</td>
<td>Sample Verified to</td>
<td>LEP Not Low Income Errors</td>
</tr>
<tr>
<td>Grade 2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Special Ed. - Elementary</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Percentage Error</td>
<td>3</td>
<td>3</td>
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### Transportation

<table>
<thead>
<tr>
<th>Reg. - Public Schools</th>
<th>Reported on DRTRS by DOE</th>
<th>Errors</th>
<th>Tested</th>
<th>Verified</th>
<th>Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reg. - Special Ed.</th>
<th>Reported on DRTRS by District</th>
<th>Errors</th>
<th>Tested</th>
<th>Verified</th>
<th>Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reg. - Non-Public</th>
<th>Reported on DRTRS by Special Ed.</th>
<th>Errors</th>
<th>Tested</th>
<th>Verified</th>
<th>Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td></td>
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</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Special Ed. With Special Needs</th>
<th>Reported on DRTRS by Special Ed.</th>
<th>Errors</th>
<th>Tested</th>
<th>Verified</th>
<th>Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Totals</th>
<th>Reported on DRTRS by Special Ed.</th>
<th>Errors</th>
<th>Tested</th>
<th>Verified</th>
<th>Errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>81</td>
<td>81</td>
<td>81</td>
<td>81</td>
<td>81</td>
<td>81</td>
</tr>
</tbody>
</table>

| Percentage Error | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |

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Avg. Mileage - Regular Including Grade PK Students | 5.9 | 5.9 |

Avg. Mileage - Regular Excluding Grade PK Students | 5.9 | 5.9 |

Avg. Mileage - Special Ed. With Special Needs | 7.3 | 7.3 |
## SCHEDULE OF MEAL COUNT ACTIVITY

### LAKEHURST SCHOOL DISTRICT

### FOOD SERVICE FUND

### NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

### ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<table>
<thead>
<tr>
<th>Program</th>
<th>Category</th>
<th>Claimed</th>
<th>Verified</th>
<th>Difference</th>
<th>Rate</th>
<th>(Over)/ Under Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National School Lunch</strong></td>
<td>Paid</td>
<td>9,926</td>
<td>9,926</td>
<td>$0.38</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Reduced</td>
<td>5,051</td>
<td>5,051</td>
<td>2.905</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Free</td>
<td>19,228</td>
<td>19,228</td>
<td>3.305</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>34,205</td>
<td>34,205</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>National School Breakfast Program</strong></td>
<td>Paid</td>
<td>2,822</td>
<td>2,822</td>
<td>$0.30</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>(Severe Needs)</td>
<td>Reduced</td>
<td>2,298</td>
<td>2,298</td>
<td>1.79</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Free</td>
<td>11,712</td>
<td>11,712</td>
<td>2.09</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16,832</td>
<td>16,832</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>51,037</td>
<td>51,037</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
</tbody>
</table>

*= For HHFKA Lunches - $.06
LAKEHURST SCHOOL DISTRICT

AUDIT RECOMMENDATIONS SUMMARY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Recommendations:

1. Administrative Practices and Procedures
   None

2. Financial Planning, Accounting and Reporting
   None

3. School Purchasing Programs
   None

4. School Food Service
   That the District should review Food Service operations and determine how to limit or eliminate the deficit.

5. Student Body Activities
   None

6. Application for State School Aid
   None

7. Pupil Transportation
   None

8. Facilities and Capital Assets
   None

9. Miscellaneous
   None

10. Status of Prior Year Audit Findings/Recommendations
    There were no prior year recommendations.