

**FAIRFIELD BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

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

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Honorable President and
Members of the Board of Trustees
Fairfield Board of Education
Fairfield, 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 Fairfield Board of Education as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 21, 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.

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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 21, 2015

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

GENERAL COMMENTS

Scope of Audit

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

Administrative Practices and Procedures

Insurance

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
William Stepka	Business Administrator/Board Secretary	\$175,000
Joseph John McCluskey	Treasurer of School Monies	200,000

The District has obtained Public Employee Dishonesty with Faithful Performance coverage of \$250,000 per employee for all other District personnel.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal discrepancies with respect to each of signatures, certifications and proper itemization.

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 certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premiums.

Finding – The audit indicated that employee health benefit reimbursements were not transferred to the General Fund until the end of the fiscal year.

Recommendation – It is recommended that employee health benefit reimbursements be transferred to the General Fund on a monthly basis.

**FAIRFIELD 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)

Finding – The audit of the payroll agency account disclosed that the June 30, 2015 balance was not sufficient to cover outstanding liabilities to third party agencies in the amount of \$2,363.

Recommendation – It is recommended that the detail payroll deductions reconciliation procedures pertaining to the payroll agency account be reviewed and enhanced.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

Finding – The audit disclosed that the District’s contribution for Defined Contribution Retirement Program (DCRP) were not submitted to the third-party provider for the period July 1, 2014 through February 15, 2015.

Recommendation – The District’s contributions for the Defined Contribution Retirement Program (DRCP) be submitted to the third-party provider.

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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(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 a random sample, our sample also included new procedures required by the State Department of Education for specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, no errors were noted.

Finding – Certain employee travel expense reimbursements were not charged to the correct budget function and object code.

Recommendation – Travel expenses be charged to the appropriate budget function and object code, as prescribed by the New Jersey Uniform Chart of Accounts.

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 and Treasurer's monthly financial reports was included in the minutes.

Finding – The audit of the District’s budget appropriation report indicated certain budget account amounts and descriptions were not in agreement with the adopted budget.

Recommendation – It is recommended that all budget account amounts and descriptions be in agreement with the adopted budget.

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

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

All cash receipts were promptly deposited.

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

Finding – The audit of payroll indicated certain employees were not promptly enrolled in the respective retirement system after the date of hire.

Recommendation – All employees be promptly enrolled in the respective retirement system.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A./NCLB financial exhibits are contained within the financial section (Special Revenue Fund) of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and IIA of the Elementary and Secondary Education Act, as amended and reauthorized.

Our examination of the Federal 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 District's special projects were approved as listed on Schedule A and Schedule B located in the single audit section of the CAFR.

Other Special Federal and/or State Projects

Our examination of the other Federal and State funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

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

T.P.A.F. Reimbursements to State for Federal Salary Expenditures

None.

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- 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 \$21,000, 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. the board of education may establish that the bid threshold may be up to \$36,000. 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.
- b. Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 18A:18A-4 states, "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".

Effective April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by P.L. 1999, C. 440.

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The Business Administrator has been designated the chief purchasing agent of the District and the Board of Education has adopted a resolution increasing the bid threshold to \$36,000.

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 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 goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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.

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

Student Body Activities

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

Cash receipts and disbursements records for the student activity accounts were maintained in good condition.

Finding – Certain cash receipts received by the Stevenson student activity account were not promptly deposited.

Recommendation – All cash receipts be deposited promptly in the Stevenson student activity account.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 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 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 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 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an immaterial exception. The results of our procedures are presented in the Schedule of Audited enrollments.

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. One isolated exception was noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the Schools Development Authority (SDA) grant agreements for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve, and awarding of contracts for eligible facilities construction.

Finding – At June 30, 2015, the District has outstanding grant receivables totaling \$219,565 from the Schools Development Authority (the “SDA”) for the Stevenson School and Churchill School toilet renovation and Churchill School window replacement projects.

Recommendation – The District’s Capital Projects Fund’s prior years grant receivable balance be reviewed and all required project cost documentations be submitted to the SDA to ensure the collectability of the receivable.

Follow-Up on Prior Year Findings

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

Suggestions to Management

- All interfund balances be liquidated prior to year end.

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

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES – FOOD SERVICE

NOT APPLICABLE

**FAIRFIELD BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	2015-2016						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 Veri- cation		Sample Sample		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 years	10	-	10	-	-	-	10	-	10	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	67	-	67	-	-	-	67	-	67	-	-	-	-	-	-	-	-	-	-
1st Grade	57	-	57	-	-	-	57	-	57	-	-	-	-	-	-	-	-	-	-
2nd Grade	77	-	77	-	-	-	77	-	77	-	-	-	-	-	-	-	-	-	-
3rd Grade	81	-	81	-	-	-	81	-	81	-	-	-	-	-	-	-	-	-	-
4th Grade	77	-	77	-	-	-	77	-	77	-	-	-	-	-	-	-	-	-	-
5th Grade	85	-	85	-	-	-	85	-	85	-	-	-	-	-	-	-	-	-	-
6th Grade	85	-	85	-	-	-	85	-	85	-	-	-	-	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	539	-	539	-	-	-	539	-	539	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	74	-	74	-	-	-	21	-	21	-	-	-	2	-	2	-	2	-	-
Spec Ed - Middle School	10	-	10	-	-	-	3	-	3	-	-	-	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	84	-	84	-	-	-	24	-	24	-	-	-	2	-	2	-	2	-	-
Totals	623	-	623	-	-	-	563	-	563	-	-	-	2	-	2	-	2	-	-
Percentage Error					<u><u>0.00%</u></u>						<u><u>0.00%</u></u>						<u><u>0.00%</u></u>		

**FAIRFIELD BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
1st Grade	1	1	-	1	1	-	-	-	-	-	-	-
2nd Grade	-	-	-	-	-	-	-	-	-	-	-	-
3rd Grade	2	2	-	2	2	-	1	1	-	-	-	-
4th Grade	3	3	-	2	2	-	-	-	-	-	-	-
5th Grade	3	3	-	2	2	-	1	1	-	1	1	-
6th Grade	1	1	-	1	1	-	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	10	10	-	8	8	-	2	2	-	1	1	-
Spec Ed - Elementary	2	2	-	2	2	-	1	1	-	1	1	-
Spec Ed - Middle School	2	2	-	2	2	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	4	4	-	4	4	-	1	1	-	1	1	-
Totals	14	14	-	12	12	-	3	3	-	2	2	-
Percentage Error			<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>	

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	146	146	-	23	22	1
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	-	-	-	-	-	-
Special Needs - Public	2	2	-	1	1	-
Totals	148	148	-	24	23	1
			<u>0.00%</u>		<u>4.17%</u>	

**FAIRFIELD BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	1	1	-	1	1	-
1st Grade	2	2	-	2	2	-
2nd Grade	-	-	-	-	-	-
3rd Grade	2	2	-	2	2	-
4th Grade	-	-	-	-	-	-
5th Grade	1	-	1	-	-	-
6th Grade	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-
Subtotal	<u>6</u>	<u>5</u>	<u>1</u>	<u>5</u>	<u>5</u>	<u>-</u>
Spec Ed - Elementary	1	-	1	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>7</u></u>	<u><u>5</u></u>	<u><u>2</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>28.57%</u></u>			<u><u>0.00%</u></u>

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

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

2014-2015 Total General Fund Expenditures per the CAFR (Exhibit C-1)	\$ 11,816,293
Decreased by:	
On-Behalf TPAF Pension & Social Security	1,080,633
Adjusted 2014-2015 General Fund Expenditures	\$ 10,735,660
2% of Adjusted 2014-2015 General Fund Expenditures	\$ 214,713
Enter Greater of 2% of Adjusted 2014-2015 General Fund Expenditures or \$250,000	\$ 250,000
Maximum Unassigned Fund Balance	\$ 250,000

SECTION 2

Total General Fund - Fund Balance at June 30, 2015 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 739,592
Decreased by:	
Restricted - Capital Reserve	\$ 271,449
Restricted - Capital Reserve- Designated for Subsequent Year's Expenditures	104,712
Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	30,151
Assigned - Designated for Subsequent Year's Expenditures	1,526
Assigned - Year-end Encumbrances	47,323
	455,161
Total Unassigned Fund Balance	\$ 284,431

SECTION 3

Reserved Fund Balance - Excess Surplus	\$ 34,431
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Recapitulation of Excess Surplus as of June 30, 2015

Restricted Fund Balance - Excess Surplus	\$ 34,431
Restricted Fund Balance - Excess Surplus Designated for Subsequent Year's Expenditures	30,151
	\$ 64,582

**FAIRFIELD BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Employee health benefit reimbursements be transferred to the General Fund on a monthly basis.
2. The detail payroll deductions reconciliation procedures pertaining to the payroll agency account be reviewed and enhanced.
3. The District's contributions for the Defined Contribution Retirement Program (DCRP) be submitted to the third-party provider.
4. Travel expenses be charged to the appropriate budget function and object code, as prescribed by the New Jersey Uniform Chart of Accounts.
5. All budget account amounts and descriptions be in agreement with the adopted budget.
6. All employees be promptly enrolled in the respective retirement system.

III. School Purchasing Program

There are none.

IV. School Food Service Program

Not Applicable.

V. Student Body Activities

It is recommended that all cash receipts be deposited promptly in the Stevenson student activity account.

VI. Application for State School Aid

There are none.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

It is recommended that the District's Capital Projects Fund's prior years grant receivable balance be reviewed and all required project cost documentation be submitted to the SDA to ensure the collectability of the receivable.

IX. Miscellaneous

There are none.

X. Status of Prior Year's Audit Findings/Recommendations

There were none.

ACKNOWLEDGEMENT

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

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Gary W. Higgins
Public School Accountant
Certified Public Accountant