

ATLANTIC COUNTY VOCATIONAL SCHOOL DISTRICT

Mays Landing, New Jersey
County of Atlantic

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2015**

**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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**REPORT OF INDEPENDENT AUDITORS
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE**

Honorable President and Members
of the Board of Education
Atlantic County Vocational School District
County of Atlantic
Mays Landing, New Jersey 08330

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 Atlantic County Vocational School District in the County of Atlantic for the year ended June 30, 2015, and have issued our report thereon dated December 8, 2015.

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 Atlantic County Vocational School District 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.

Respectfully submitted,

HOLMAN & FRENIA, P. C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

Toms River, New Jersey
December 8, 2015

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Honorable President and Members
of the Board of Education
Atlantic County Vocational School District
County of Atlantic
Mays Landing, New Jersey 08330

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, the records of the Athletic Fund, the Student Activity Fund, Food Service Fund and Special Revenue Fund 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

Name	Position	Amount
Lisa Mooney	Business Administrator/Board Secretary	\$75,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The District is in accordance with *N.J.A.C.6:20-3.1(e)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 but three payrolls were approved by the Superintendent and all were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to her order for the full amount of each payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C.6A:23-16.2(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. No errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification. With regard to administrative coding classifications in accordance with *N.J.A.C.6A:23A-2.4*, the School District is a vocational school and not subject to these regulations.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

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

The E.S.E.A./N.C.L.B. 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

Our study of compliance for E.S.E.A. did not indicate any 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 B located in the CAFR.

Our audit of the 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 tests of compliance for the major state programs selected did not indicate any areas of noncompliance.

T.P.A.F. Reimbursement

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 Reports for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

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 \$17,500, 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 receipts 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:119) the board of education may establish that the bid threshold may be up to \$25,000. 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 (pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor

School Purchasing Programs (continued):

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. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to *N.J.S.A.18A:18A-3* except by contract or agreement.”

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A.18A:18A-2* and *18A:18A-3(a)* are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.18A:39-3* is currently \$18,300.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year (contract year for July 1, 2010 and thereafter).

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 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*.

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.

School Food Service

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.

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

School Food Service (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.

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 disbursements 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 nonprofit status of the school food service. Net cash resources did not exceed three months average expenditures.

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

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

Student Body Activities

Our review of the financial and accounting records maintained for the Student Activity Funds were in satisfactory condition.

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 and low-income. A review of the District's procedures related to its completion was also performed. The information on the A.S.S.A. was compared to the District's workpapers. The results of the procedures are presented in the Schedule of Audited Enrollments.

Pupil Transportation

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 as verified to the DRTRS Eligibility Summary Report without exception. The results of the procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation contracts and purchases. Based on this review, the District complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes.

Follow-up on Prior Years' Findings

There were no prior year findings.

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 team.

Should you have any questions or should you desire any additional assistance, please contact us.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

Toms River, New Jersey
December 8, 2015

ADDITIONAL INFORMATION

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SCHEDULE OF MEAL COUNT ACTIVITY

**ATLANTIC COUNTY VOCATIONAL SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(MEMORANDUM ONLY)**

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER)/ UNDER CLAIM
School Lunch Program (Regular Rate)	Paid	16,428	7,234	7,234	NONE	0.27	NONE
	Reduced	16,589	7,104	7,104	NONE	2.10	NONE
	Free	82,771	34,618	34,617	1	2.50	2.50
	Total	115,788	48,956	48,955	1		\$2.50
School Breakfast Program (Regular Rate)	Paid	1,237	450	449	1	0.34	0.34
	Reduced	4,567	2,009	2,009	NONE	1.11	NONE
	Free	47,638	20,416	20,416	NONE	1.41	NONE
	Total	53,442	22,875	22,874	1		\$0.34

SCHEDULE OF AUDITED ENROLLMENTS

ATLANTIC COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2014

	2014-2015 Application for State School Aid						Sample for Verification						Resident Low Income						Sample for Verification											
	Reported on A.S.A. On Roll			Workpapers Reported on			Errors			Sample Selected from Workpapers			Registers Verified per On Roll			Errors per Registers On Roll			Reported on A.S.A. as Low Income			Workpapers as Low Income			Sample Selected from Workpapers			Registers Verified to Test Score and Register		
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared	
Grade 9	4	-		4	-		-	-		1	-		1	-		-	-		-	-		-	-		-	-		-	-	
Grade 10	13	-		13	-		-	-		3	-		3	-		-	-		-	-		-	-		-	-		-	-	
Grade 11	25	-		25	-		-	-		5	-		5	-		-	-		-	-		-	-		-	-		-	-	
Grade 12	24	-		24	-		-	-		5	-		5	-		-	-		-	-		-	-		-	-		-	-	
Special Ed - High School	132	18		132	18		-	-		32	4		32	4		-	-		-	-		-	-		-	-		-	-	
Subtotal	198	18		198	18		-	-		46	4		46	4		-	-		-	-		-	-		-	-		-	-	
Co.Voc.-Regular	1,000	9		1,000	9		-	-		217	2		217	2		-	-		-	-		496	-		496	-		158	-	
Co.Voc.Ft.Post Sec.	42	-		42	-		-	-		-	-		-	-		-	-		-	-		123	-		123	-		39	-	
Totals	1,240	27		1,240	27		-	-		263	6		263	6		-	-		-	-		619	-		619	-		197	-	
Percentage Error	$\frac{0.00\%}{0.00\%}$ $\frac{0.00\%}{0.00\%}$ $\frac{0.00\%}{0.00\%}$ $\frac{0.00\%}{0.00\%}$																													

EXCESS SURPLUS CALCULATION

COUNTY VOCATIONAL DISTRICTS

SECTION 1

A. 6% Calculation of Excess Surplus (2014-2015 expenditures of \$100 million or less)

2014-2015 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>19,715,826</u>	(B)
Increased by:			
Transfer to Food Service Fund	\$	<u> </u>	(B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$	<u> </u>	(B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>70,804</u>	(B1c)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>(1,347,973)</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u> </u>	(B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$	<u>18,438,657</u>	(B3)
6% of adjusted 2014-2015 General Fund Expenditures [(B3) times .06]	\$	<u>1,106,319</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>1,106,319</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u> </u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u>1,106,319</u>	(M)

B. 6% Calculation of Excess Surplus (2014-2015 expenditures greater than \$100 million)

2014-2015 Total General Fund Expenditures	\$	<u> </u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u> </u>	(B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u> </u>	(B1c)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u> </u>	(B2a)
Assets Acquired Under Capital Leases:	\$	<u> </u>	(B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)-(B1s)-(B2s)]	\$	<u> </u>	(B3)
2014-2015 General Fund Expenditures in Excess of \$100 million [(B3) minus \$100,000,000]	\$	<u> </u>	(B4)
3% of General Fund Expenditures in excess of \$100 [(B4) times .03]	\$	<u> </u>	(B5)
(B5) Plus \$6,000,000	\$	<u> </u>	(B6)
Increased by: Allowable Adjustment *	\$	<u> </u>	(K)
Maximum Unassigned Fund Balance [(B6)+(K)]	\$	<u> </u>	(M)

COUNTY VOCATIONAL DISTRICTS (continued):

SECTION 2

Total General Fund - Fund Balances @ 06-30-2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>5,303,325</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>(114,608)</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>(1,759,899)</u> (C3)
Other Restricted Fund Balances ****	\$ <u>(1,387,925)</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____ (C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 \$ <u>2,040,893</u> (U)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U)-(M)] IF NEGATIVE ENTER -0-	\$ <u>934,574</u> (E)
--	-----------------------

Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>1,759,899</u> (C3)
Reserved Excess Surplus *** [(E)]	<u>934,574</u> (E)
 Total [(C3) + (E)]	 <u><u>2,694,473</u></u> (D)

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	 \$ _____ (K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2015 CAFR and Audit Summary Worksheet Line 10024.

COUNTY VOCATIONAL DISTRICTS (continued):

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance and Regulatory Compliance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ _____
Sale/Lease-Back Reserve	\$ _____
Capital Reserve	\$ <u>945,946</u>
Maintenance Reserve	\$ <u>441,979</u>
Emergency Reserve	\$ _____
Tuition Reserve	\$ _____
Other State/Government Mandated Reserve	\$ _____
Other Resstricted Fund Balance Not Noted Above ****	\$ _____
 Total Other Restricted Fund Balance	 \$ <u>1,387,925</u> (C4)