

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2015**

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members  
of the Board of Trustees  
Belleville Township School District  
Belleville, 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 Belleville Township School District, State of New Jersey as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated January 15, 2016.

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 for the information 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*

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

Jeffrey C. Bliss  
Public School Accountant  
PSA Number CS00932

Fair Lawn, New Jersey  
January 15, 2016

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
 ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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**

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Schedule of Insurance contained in the district's Comprehensive Annual Financial Report ("CAFR").

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Wayne Demikoff (6/1/15-6/30/15)	Interim Board Secretary/School Business Administrator	See Below
Robert T. Clark (12/1/14-5/31/15)	Interim Board Secretary/School Business Administrator	350,000
Brooke Bartley (6/1/15-6/30/15)	Treasurer of School Monies	See Below

There is an Employee Dishonesty Faithful Performance Crime Coverage policy with N.J. Schools Insurance Group covering all other employees with multiple coverage of \$250,000 per employee.

- **Finding** – We noted the Interim Board Secretary/School Business Administrator and the Treasurer of School Monies had no surety bond coverage as of June 30, 2015. However, effective July 1, 2015 both individuals were covered under a surety bond in the amount of \$350,000 each through June 30, 2016. Therefore, no recommendation is deemed warranted.

- **Finding** – Our audit revealed vehicle use logs are not currently maintained for District vehicles in accordance with Board policy and State Regulations.

**Recommendation** – The District implement and maintain vehicle use logs for all District vehicles in accordance with Board policy and State Regulations.

- **Finding (CAFR Finding 2015-001)** – We noted during the year of audit, the District's financial accounting and reporting and payroll computer systems crashed and many of the District financial transactions were lost in the system. It appears the District's computer back-up procedures were inadequate.

**Recommendation** – Internal controls be reviewed and revised to ensure daily computer back-up procedures are adequate to prevent the loss of financial information and transactions. In addition, the District adopt a formal disaster recovery plan.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 signatures, certifications or supporting documentation.

- **Finding** – Our audit revealed checks issued from the District’s operating accounts contain only two authorized signatures: the Board President and the former Interim Board Secretary/ School Business Administrator whereas three are required by N.J.S.A. 18A:19.1.

**Recommendation** – Checks contain the three required authorizing signatures of the Treasurer of School Monies, current Interim Board Secretary/School Business Administrator and the Board President in accordance with 18A:19.1.

- **Finding** – The audit of the health benefit bills indicated certain individuals continued to remain on prescription benefits after termination of employment. In addition, we noted certain eligible retired employees who remained on dental benefits did not reimburse the District as required.

**Recommendation** – The District’s health benefit bills be reviewed on a monthly basis to ensure only active and eligible employees with the District are receiving benefits. In addition, eligible retirees receiving dental coverage reimburse the District in accordance with contractual provisions.

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.

- **Finding** – We noted certain payroll registers tested were not certified by the Business Administrator as required by N.J.S.A. 18A:19-9.

**Recommendation** – Payroll registers be certified by the Board President, Board Secretary/School Business Administrator and Superintendent of School in accordance with N.J.S.A. 18A:19-9.

- **Finding** – We noted the detailed payroll deduction subsidiary ledger maintained by deduction category did not properly reflect all transactions during the year. In addition, we noted the monthly bank reconciliation balances were not in agreement with the subsidiary ledger balances.

**Recommendation** – The payroll deduction subsidiary ledger include all transactions by deduction category and be verified to the bank reconciliation balances on a monthly basis.

- **Finding (CAFR Finding 2015-002)** – We noted significant differences between the amounts reported on IRS Form W-3 and the quarterly 941 forms filed for calendar year 2014.

**Recommendation** – The District review the 2014 calendar year wage and tax report filings with the Federal and State tax agencies to determine the appropriate amendments to be filed for calendar year 2014.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Financial Planning, Accounting and Reporting**

Payroll Account (Continued)

- **Finding** – We noted certain overtime and hourly payroll vouchers were not approved by supervisory personal.  
**Recommendation** – Procedures be implemented to ensure all overtime and hourly payroll vouchers are approved by the respective employee’s supervisor.
  
- **Finding** – We noted differences between employee pension deductions per the District’s payroll records and amounts reported on the quarterly State pension reports for certain District employees. These differences do not appear to have been resolved by District personnel.  
**Recommendation** – Differences noted in employee pension deductions reported to the State pension system be reviewed and appropriate action be taken to resolve and clear them of record accordingly.
  
- **Finding** – Our audit revealed differences between the required employee health benefit contributions under Chapter 78 and the actual amounts withheld from District employees. It appears the prescription premium was not revised for the premiums in effect at the time of our testing.  
**Recommendation** – Internal controls be enhanced to ensure employee health benefit contributions are based on current benefit premiums in accordance with Chapter 78.
  
- **Finding** – Our audit of health benefit waiver or opt-out payments revealed certain opt-out payments to individuals for which their contract did not specifically indicate they were eligible for such payment. The bargaining unit contracts related to this situation has expired on June 30, 2015. Management is currently in negotiation with these bargaining units and is in the process of addressing this issue as part of the negotiations, therefore no recommendation is deemed warranted at this time.

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. 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 2015-003)** – Our audit of year end open purchase orders in the General and Special Revenue Funds revealed certain encumbrances should have been classified as accounts payable (\$232,347) and certain encumbrances were deemed overstated (\$86,936) at June 30, 2015. Audit adjustments were made to reclassify and cancel these purchase orders, accordingly.  
**Recommendation** – Continued efforts be made to ensure open purchase orders are reviewed at year end for appropriateness and proper classification as accounts payable or encumbrances.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**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 N.J.A.C. 6A:23-8.3. The following was noted as a result of the procedures performed.

- **Finding** – Our audit revealed expenditures for transportation aid in lieu of payments, capital lease payments, certain salary charges, interest and penalties on delinquent taxes, and prior year reserve for encumbrances were not charged to the proper budget lines.

**Recommendation** – Greater care be exercised over classifying payments to ensure amounts are budgeted and charged to the proper budget lines in accordance with The Uniform Minimum Chart of Accounts for New Jersey Public Schools.

**Board Secretary's Records**

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following items:

- **Finding** – We noted one budget line account was overexpended at June 30, 2015. The overexpenditure is a result of an adjustment made during our audit. No recommendation is warranted since this is considered an isolated incident resulting from an audit adjustment.
  
- **Finding** – Our audit revealed various interfund balances were not in agreement at year end. We noted certain interfund transactions were not recorded in the corresponding fund in several instances.

**Recommendation** – The District implement procedures to review interfund transactions between funds to ensure interfund balances are in agreement and inclusive of all District transactions during the year.

- **Finding (CAFR Finding 2015-004)** – Our review of the June 30, 2015 outstanding check list and related supporting documentation revealed the District is backdating checks issued after year end.

**Recommendation** – The practice of backdating checks processed and issued after June 30, 2015 be discontinued by the District.

- **Finding** – We noted certain payments made by the District's Fiscal Agent from the Capital Projects Fund's lease account which were not included on the bills list and therefore were not approved by the Board in the official minutes.

**Recommendation** – The District ensure all payments from the Capital Projects Fund's lease accounts are included on the bills list presented to the Board, be approved by Board action and be made part of the official minutes prior to payment by the Fiscal Agent.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

Board Secretary's Records (Continued)

- **Finding** – Our audit of the Workers Compensation Self-Insurance Fund revealed the claims list from the third party administrator is not submitted to the Board and approved by the Board in the official minutes.

**Recommendation** – The workers compensation claims list from the third party administrator be submitted to the Board, be approved by Board action and be included as part of the official Board minutes.

- **Finding** – We noted the monthly Board Secretary's report for the months of July 2014 to February 2015 were not approved within sixty (60) days of month end as a result of the financial accounting and reporting system computer crash. However, we noted the April 2015, May 2015 and June 2015 Board Secretary 's reports were approved within the sixty day time period. It appears the District implemented procedures to ensure the Board Secretary's reports are submitted and approved by the Board in accordance with the requirements of N.J.S.A. 18A:17-36, therefore no recommendation is deemed warranted.

- **Finding** –Our audit of budget transfers revealed that not all budget line account transfers appear to be approved by the Board and made part of the District's official minutes.

**Recommendation** – All budget line account transfers be submitted to the Board , be approved by Board action and be included as part of the official Board minutes.

Treasurer's Records

- **Finding** – The Treasurer's monthly reports for the months of June 2014 to February 2015 were not approved within sixty (60) days of month end as a result of the financial accounting and reporting system computer crash. However, we noted the April 2015, May 2015 and June 2015 Treasurer's reports were approved within the sixty day time period. It appears the District implemented procedures to ensure the Treasurer's reports are submitted and approved by the Board in accordance with the requirements of N.J.S.A. 18A:17-36 or 18A:17-9, therefore no recommendation is warranted.

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

The E.S.E.A./NCLB 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, II, and III of the Elementary and Secondary Education Act.

The study of compliance for E.S.E.A. disclosed the following areas of noncompliance.

- **Finding (CAFR Finding 2015-005)** – Our audit noted that the final expenditure report for the NCLB Title III Federal grant program was not in agreement with the District's accounting records.

**Recommendation** – The final expenditure report for the NCLB Title III Federal grant program be reconciled to and in agreement with the District's accounting records prior to submission.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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

- **Finding (CAFR Finding 2015-007)** – Our audit of employee salary and employee benefit charges to the NCLB Title I grant program revealed amounts charged to the grant program were not charged consistently by pay period or billing cycle for each approved individual.

**Recommendation** – Employee salaries and health benefits be charged to the NCLB Title I grant program by each specific pay period or billing cycle, respectively, throughout the year.

- **Finding (CAFR Finding 2015-008)** – Our audit revealed charges to the NCLB Title I grant program for payments made to Standard Solutions, LLC for professional development cost that appear to be for District staff other than staff specific to approved Title I staff members.

**Recommendation** – The District discontinue the practice of charging the Title I grant program for professional development costs for District staff members not related to the Title I program.

**Other Special Federal and/or State Projects**

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 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.

- **Finding** – We noted certain 2013/14 Federal NCLB grant funds which were released from the District's available funds as a result of the District's failure to expend funds within the allowable grant period.

**Recommendation** – Greater care be exercised in the monitoring of available grant funds to ensure that program funds are expended in the allowable grant period.

- **Finding (CAFR Finding 2015-010)** – Our audit of Extraordinary Aid revealed students' Individual Education Plans (IEP) for certain students reported on the application for State Extraordinary Aid were unavailable for review. We also noted one student was not classified during the 2014/2015 year. Additionally, one student's public school tuition costs were not prorated.

**Recommendation** – Internal control procedures be reviewed and revised to ensure IEP's are available to support student information reported on the Extraordinary Aid application, only students with valid IEP's be reported and that public tuition costs be prorated in accordance with the application guidelines.

- **Finding** – We noted a prior year encumbrance cancelled in the amount of \$51,093 related to Non-Public Chapter 192/193 services. We were unable to determine the specific years and services for which these amounts relate to.

**Recommendation** – The District review and clear of record the cancelled encumbrances related to prior year Non-Public Chapter 192/193 services.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**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. One isolated exception was noted.

**T.P.A.F Reimbursement to the State for Federal Salary Expenditures**

The amount of 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 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**

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

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 \$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. The Board has designated the Interim Business Administrator as the qualified purchasing agent and established the bid threshold at \$36,000.

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.

Based on the results of our examination, we noted instances where individual payments, contracts or agreements were made for the performance of 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, as amended.

- **Finding (CAFR Finding 2015-009)** -We noted certain 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, extraordinary unspecifiable services 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).

**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).

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**School Purchasing Programs (Continued)**

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

- **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.

Resolutions were adopted authorizing the awarding of contracts and agreements for “Professional Services” per N.J.S.A. 18A:18A-5 and 19:44A.

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 service fund were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

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 with exception. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating result provision.

Cash receipts and bank records were reviewed for timely deposit.

- **Finding** –Our audit of the food sale revenue reported on the food service management company’s operating statement revealed differences with the amounts reported in the District’s revenue reports at year end. We noted the food sales reported in the District’s records was less than the food sales reported by the Food Service Management Company.

**Recommendation** – The revenue reported on the food service management company’s operating statement be compared to the amounts reported in the District’s revenue reports and amounts deposited and any differences be reconciled on a monthly basis.

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 disbursements records reflected expenditures for program related goods and services with exceptions noted. 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.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**School Food Service (Continued)**

- **Finding** – Our audit of payments to the food service management company revealed payments for the reimbursement of costs related to lunch aides. These payments were for costs unrelated and outside the contract and therefore, should be procured separately in accordance with NJAC 5:34-4.4(b).

**Recommendation** – All payments for services unrelated and outside of the food service management company's contract be procured separately in accordance with N.J.A.C. 5:34-4.4(b).

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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, Exhibits B-4 through B-6 of the CAFR.

**Student Body Activities**

During our review of the student activity funds, the following matters were noted:

- **Finding** – Our review of the High School and Middle School Activity reports revealed several sub-accounts that do not appear to be for student clubs or organizations. We noted sub-accounts titled Business Department, Computer Room, Fines, General Account, Library, Locks, Math Department, Office Student I.D. and Principal's Account.

**Recommendation** – A review be made of the High School and Middle School student activity sub-accounts and all sub-accounts not associated with student clubs, organizations or activities be eliminated and their use discontinued.

- **Finding** – We noted prenumbered receipt tickets were not utilized for monies collected in the High School, Middle School or Summer Program student activity accounts

**Recommendation** – Prenumbered receipt tickets be utilized for monies collected in all the District's student activity accounts.

- **Finding** – We noted several instances where deposits were not made in a timely manner in the High School student account.

**Recommendation** – Deposits be made in a timely manner in the High School account.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Student Body Activities (Continued)**

- **Finding** – We noted vouchers were not utilized for disbursements made from the Summer Program student account.

**Recommendation** – Vouchers be utilized for payments made from the Summer Program account.

- **Finding** – Our audit revealed only one (1) authorized signature was required on checks issued from the Summer Program student account.

**Recommendation** – Checks issued from the Summer Program account require two (2) authorized signatures.

- **Finding** – We noted checks made payable to “cash” in the Summer Program student accounts.

**Recommendation** – The practice of issuing checks made payable to “cash” be discontinued.

**Application for State School Aid**

We were unable to perform certain audit procedures to test the information reported in the October 15, 2014 Application for State School Aid (ASSA) for on-roll, private schools for the disabled, related services, low income and bilingual.

- **Finding (CAFR Finding 2015-11)** – Our audit of the Districts ASSA revealed that the District was unable to provide class registers or written procedures utilized to complete the October 15, 2014 ASSA. In addition, exceptions were noted for student counts reported on the District workpapers and supporting documentation.

**Recommendation** – Internal control procedures be strengthened over the reporting of information on the Application for State School Aid (ASSA) to ensure District class registers and written procedures are maintained and retained for audit, as required. In addition, students reported on District workpapers be supported by appropriate documentation or otherwise not be included on the ASSA.

**Pupil Transportation**

We were unable to perform audit procedures to test the 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 exceptions noted.

- **Finding** – The District was unable to provide class registers utilized to complete the 2014-2015 DRTRS.

**Recommendation** – Internal control procedures be strengthened over the reporting of information on the District Report of Transported Resident Students (DRTRS) to ensure District class registers are maintained and retained for audit, as required.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Facilities and Capital Assets**

The District had no SDA grant projects during the current year.

- **Finding (CAFR Finding 2015-006)** – Our audit of the District’s capital assets revealed capital assets were not updated for 2014/2015 school year additions and deletions.

**Recommendation** – The District update its capital asset records on a timely basis to reflect all current year activity.

**Follow-up Prior Year Findings**

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

**Management Suggestions**

- The District implement procedures for supervisory personnel to review federal and state tax agencies websites to verify payroll tax filings and payments are made timely.
- The District perform a payroll check distribution verification during the 2015/2016 school year.
- The District review substitute bus driver compensation to determine eligibility in the DCRP pension program.
- The District revise the resolution for monthly certifications required by NJAC 6A:23A-16.10 to verify the proper certification citation is stated. In addition, certifications should be made part of the minute attachments.
- The District should conduct a review of its student transportation services to verify student IEP’s and remote mileage requirements are in accordance with Board policy for transportation services provided to District students.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF MEAL COUNT ACTIVITY**

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Total Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
National School Lunch (Regular Rate)	Paid	135,742	55,793	55,793	-		
	Reduced	69,947	28,567	28,567	-		
	Free	<u>283,287</u>	<u>113,605</u>	<u>113,605</u>	-		-
	Total Lunch	<u>488,976</u>	<u>197,965</u>	<u>197,965</u>	-		-
Breakfast	Paid	4,691	2,035	2,035	-		
	Reduced	5,211	2,160	2,160	-		
	Free	<u>30,019</u>	<u>11,862</u>	<u>11,862</u>	-		-
	Total Breakfast	<u>39,921</u>	<u>16,057</u>	<u>16,057</u>	-		-
<b>TOTAL</b>		<u><u>528,897</u></u>	<u><u>214,022</u></u>	<u><u>214,022</u></u>	-		-

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
FOOD SERVICE FUND  
SCHEDULES OF NET CASH RESOURCE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Net Cash Resources:</u>		<u>Food Service</u>	
<b>CAFR</b>	*	<b>Current Assets</b>	
B-4		Cash	\$ 3,642
B-4		Intergovernmental Receivables	87,344
B-4		Accounts Receivable	8,109
B-4		Due from Other Funds	176,202
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	(83,609)
B-4		Less Due to Other Funds	
B-4		Less Unearned Revenue	(7,885)
		<b>Net Cash Resources</b>	<b><u>\$ 183,803</u></b> (A)
 <u>Net Adj. Total Operating Expense:</u>			
B-5		Total Operating Expenses	2,114,192
B-5		Less Depreciation	(34,097)
		<b>Adj. Tot. Oper. Exp.</b>	<b><u>\$ 2,080,095</u></b> (B)
 <u>Average Monthly Operating Expense:</u>			
		B / 10	<b><u>\$ 208,010</u></b> (C)
 <u>Three times monthly Average Operating Expense:</u>			
		3 X C	<b><u>\$ 624,030</u></b> (D)

TOTAL IN BOX A	\$	183,803
LESS TOTAL IN BOX D	\$	(624,030)
NET	\$	<b><u>(440,227)</u></b>

**Net Cash Resources Did Not Exceed Three Months Expenditures.**

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

	2015-2016 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	12	-	-	-	12	-	-	-	-	-	-	-				
Half Day Preschool - 4 years	14	-	40	-	(26)	-	40	-	-	40	-	-				
Full Day Preschool - 3 years	7	-	-	-	7	-	-	-	-	-	-	-				
Full Day Preschool - 4 years	7	-	-	-	7	-	-	-	-	-	-	-				
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
Full Day Kindergarten	299	-	299	-	-	-	16	-	-	16	-	-				
1st Grade	315	-	315	-	-	-	45	-	-	45	-	-				
2nd Grade	365	-	365	-	-	-	59	-	-	59	-	-				
3rd Grade	278	-	278	-	-	-	64	-	-	64	-	-				
4th Grade	281	-	281	-	-	-	19	-	-	19	-	-				
5th Grade	333	-	333	-	-	-	40	-	-	40	-	-				
6th Grade	254	-	254	-	-	-	254	-	-	254	-	-				
7th Grade	310	-	310	-	-	-	310	-	-	310	-	-				
8th Grade	326	-	326	-	-	-	326	-	-	326	-	-				
9th Grade	325	-	325	-	-	-	325	-	-	325	-	-				
10th Grade	305	-	305	-	-	-	305	-	-	305	-	-				
11th Grade	357	-	357	-	-	-	357	-	-	357	-	-				
12th Grade	334	-	334	-	-	-	334	-	-	334	-	-				
<b>Subtotal</b>	<b>4,122</b>	<b>-</b>	<b>4,122</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,494</b>	<b>-</b>	<b>-</b>	<b>2,494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	252	-	252	-	-	-	26	-	-	26	-	-	40	26	26	-
Spec Ed- Middle School	156	-	156	-	-	-	16	-	-	16	-	-	12	8	8	-
Spec Ed - High School	189	8	189	7	-	1	20	7	-	20	7	-	27	26	13	13
<b>Subtotal</b>	<b>597</b>	<b>8</b>	<b>597</b>	<b>7</b>	<b>-</b>	<b>1</b>	<b>62</b>	<b>7</b>	<b>-</b>	<b>62</b>	<b>7</b>	<b>-</b>	<b>79</b>	<b>60</b>	<b>47</b>	<b>13</b>
<b>Totals</b>	<b>4,719</b>	<b>8</b>	<b>4,719</b>	<b>7</b>	<b>-</b>	<b>1</b>	<b>2,556</b>	<b>7</b>	<b>-</b>	<b>2,556</b>	<b>7</b>	<b>-</b>	<b>79</b>	<b>60</b>	<b>47</b>	<b>13</b>
<b>Percentage Error</b>					<u>0.00%</u>	<u>12.50%</u>				<u>100.00%</u>	<u>100.00%</u>					<u>16.46%</u>

**BELLEVILLE 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 Preschool - 3 Yrs	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 3 Yrs	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 Yrs	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 4 Yrs	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	195.0	194.0	1.0	23.0	-	23.0	18	17	1	10	-	10
1st Grade	219.0	219.0	-	25.0	-	25.0	26	24	2	14	-	14
2nd Grade	254.0	254.0	-	29.0	-	29.0	26	26	-	15	-	15
3rd Grade	201.0	200.0	1.0	23.0	-	23.0	15	15	-	8	-	8
4th Grade	204.0	205.0	(1.0)	23.0	-	23.0	10	10	-	6	-	6
5th Grade	221.0	221.0	-	26.0	-	26.0	7	6	1	3	-	3
6th Grade	189.0	188.0	1.0	22.0	-	22.0	4	4	-	2	-	2
7th Grade	187.0	186.0	1.0	22.0	-	22.0	7	7	-	4	-	4
8th Grade	178.0	178.0	-	21.0	-	21.0	7	7	-	4	-	4
9th Grade	186.0	186.0	-	22.0	-	22.0	3	3	-	2	-	2
10th Grade	193.0	193.0	-	22.0	-	22.0	10	10	-	6	-	6
11th Grade	167.0	167.0	-	19.0	-	19.0	5	5	-	3	-	3
12th Grade	152.0	152.0	-	18.0	-	18.0	9	9	-	5	-	5
<b>Subtotal</b>	<b>2,546.0</b>	<b>2,543.0</b>	<b>3.0</b>	<b>295.0</b>	<b>-</b>	<b>295.0</b>	<b>147</b>	<b>143</b>	<b>4</b>	<b>82</b>	<b>-</b>	<b>82</b>
Spec Ed - Elementary	178.0	-	178.0	-	-	-	1	-	1	1	-	1
Spec Ed - Middle School	110.0	-	110.0	-	-	-	-	-	-	-	-	-
Spec Ed - High School	75.5	-	75.5	-	-	-	8	-	8	5	-	5
<b>Subtotal</b>	<b>363.5</b>	<b>-</b>	<b>363.5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>9</b>	<b>6</b>	<b>-</b>	<b>6</b>
<b>Totals</b>	<b>2,909.5</b>	<b>2,543.0</b>	<b>366.5</b>	<b>295.0</b>	<b>-</b>	<b>295.0</b>	<b>156</b>	<b>143</b>	<b>13</b>	<b>88</b>	<b>-</b>	<b>88</b>
Percentage Error			<u>12.60%</u>			<u>100.00%</u>			<u>8.33%</u>			<u>100.00%</u>

	Transportation					
	Reported on DRTRS by BOE	Reported on DRTRS by County	Errors	Tested	Verified	Errors
Regular - Public Schools	29	31	(2)	15	-	15
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	112	112	-	65	-	65
Special Needs - Public	178	178	-	73	47	26
<b>Totals</b>	<b>319</b>	<b>321</b>	<b>(2)</b>	<b>153</b>	<b>47</b>	<b>106</b>
			<u>-0.63%</u>			<u>69.28%</u>

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

	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 Preschool (3 Yrs)	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	3	3	-	2	-	2
1st Grade	7	7	-	4	-	4
2nd Grade	9	9	-	5	-	5
3rd Grade	2	2	-	1	-	1
4th Grade	3	3	-	2	-	2
5th Grade	4	4	-	2	-	2
6th Grade	1	1	-	1	-	1
7th Grade	4	4	-	2	-	2
8th Grade	5	5	-	3	-	3
9th Grade	7	7	-	4	-	4
10th Grade	4	4	-	2	-	2
11th Grade	7	7	-	4	-	4
12th Grade	10	10	-	6	-	6
<b>Subtotal</b>	<b>66</b>	<b>66</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>38</b>
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed- Middle School	-	-	-	-	-	-
Spec Ed - High School	2	-	2	2	-	2
<b>Subtotal</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Totals</b>	<b>68</b>	<b>66</b>	<b>2</b>	<b>40</b>	<b>-</b>	<b>40</b>
Percentage Error			<u>2.94%</u>			<u>100.00%</u>

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION 1A**

2014-2015 Total General Fund Expenditures per the CAFR	\$ 69,061,742	
Decreased by:		
On-Behalf TPAF Pension & Social Security	(6,267,656)	
Adjusted 2014-2015 General Fund Expenditures	<u>\$ 62,794,086</u>	
1.5% of Adjusted 2014-2015 General Fund Expenditures	\$ 941,911	
Increased by:		
Allowable Adjustment - Extraordinary Aid	58,414	
Allowable Adjustment - Non Public Transportation	<u>55,694</u>	
	<u>114,108</u>	
Maximum Unassigned Fund Balance		\$ 1,056,019

**SECTION 2**

Total General Fund - Fund Balance (Deficit) at June 30, 2015	\$ 1,181,219	
Decreased by:		
Year End Encumbrances	<u>\$ 551,059</u>	
	<u>551,059</u>	
Total Unassigned Fund Balance (Deficit)		<u>630,160</u>

**SECTION 3**

Restricted Fund Balance - Excess Surplus		<u>\$ -</u>
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**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
RECOMMENDATIONS**

**I. Administration Practices and Procedures**

It is recommended that:

- \* 1. The District implement and maintain vehicle use logs for all District vehicles in accordance with Board policy and State Regulations.
- \* 2. Internal controls be reviewed and revised to ensure daily computer back-up procedures are adequate to prevent the loss of financial information and transactions. In addition, the District adopt a formal disaster recovery plan.

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

It is recommended that:

- \* 1. Checks contain the three required authorizing signatures of the Treasurer of School Monies, current Interim Board Secretary/School Business Administrator and the Board President in accordance with 18A:19.1.
- \* 2. The District's health benefit bills be reviewed on a monthly basis to ensure only active and eligible employees with the District are receiving benefits. In addition, eligible retirees receiving dental coverage reimburse the District in accordance with contractual provisions.
- 3. Payroll registers be certified by the Board President, Board Secretary/School Business Administrator and Superintendent of Schools in accordance with N.J.S.A. 18A:19-9.
- 4. The payroll deduction subsidiary ledger include all transactions by deduction category and be verified to the bank reconciliation balances on a monthly basis.
- 5. The District review the 2014 calendar year wage and tax report filings with the Federal and State tax agencies to determine the appropriate amendments to be filed for calendar year 2014.
- 6. Procedures be implemented to ensure all overtime and hourly payroll vouchers are approved by the respective employee's supervisor.
- \* 7. Differences noted in employee pension deductions reported to the State pension system be reviewed and appropriate action be taken to resolve and clear them of record accordingly.
- 8. Internal controls be enhanced to ensure employee health benefit contributions are based on the current benefit premiums in accordance with Chapter 78.
- \* 9. Continued efforts be made to ensure open purchase orders are reviewed at year end for appropriateness and proper classification as accounts payable or encumbrances.
- 10. Greater care be exercised over classifying payments to ensure amounts are budgeted and charged to the proper budget lines in accordance with The Uniform Minimum Chart of Accounts for New Jersey Public Schools.
- 11. The District implement procedures to review interfund transactions between funds to ensure interfund balances are in agreement and inclusive of all District transactions during the year.
- 12. The practice of backdating checks processed and issued after June 30, 2015 be discontinued by the District.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
RECOMMENDATIONS**

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

It is recommended that:

- \* 13. The District ensure all payments from the Capital Projects Fund's lease accounts are included on the bills list presented to the Board, be approved by Board action and be made part of the official minutes prior to payment by the Fiscal Agent.
- \* 14. The workers compensation claims list from the third party administrator be submitted to the Board, be approved by Board action and be included as part of the official Board minutes.
- 15. All budget line account transfers be submitted to the Board, be approved by Board action and be included as part of the official Board minutes.
- \* 16. The final expenditure report for the NCLB Title III Federal grant program be reconciled to and in agreement with the District's accounting records prior to submission.
- 17. Employee salaries and health benefits be charged to the NCLB Title I grant program by each specific pay period or billing cycle, respectively, throughout the year.
- \* 18. The District discontinue the practice of charging the Title I grant program for professional development costs for District staff members not related to the Title I program.
- 19. Greater care be exercised in the monitoring of available grant funds to ensure that program funds are expended in the allowable grant period.
- 20. Internal control procedures be reviewed and revised to ensure IEP's are available to support student information reported on the Extraordinary Aid application, only students with valid IEP's be reported and that public tuition costs be prorated in accordance with the application guidelines.
- \* 21. The District review and clear of record the cancelled encumbrances related to prior year Non-Public Chapter 192/193 services.

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

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
RECOMMENDATIONS**

**IV. School Food Service**

It is recommended that:

- \* 1. The revenue reported on the food service management company's operating statement be compared to the amounts reported in the District's revenue reports and amounts deposited and any differences be reconciled on a monthly basis.
- \* 2. All payments for services unrelated and outside of the food service management company's contract be procured separately in accordance with N.J.A.C. 5:34-4.4(b).

**V. Student Body Activities**

It is recommended that:

- \* 1. A review be made of the High School and Middle School student activity sub-accounts and all sub-accounts not associated with student clubs, organizations or activities be eliminated and their use discontinued.
- \* 2. Prenumbered receipt tickets be utilized for monies collected in all the District's student activity accounts.
- \* 3. Deposits be made in a timely manner in the High School account.
- \* 4. Vouchers be utilized for payments made from the Summer Program account.
- \* 5. Checks issued from the Summer Program account require two (2) authorized signatures.
- \* 6. The practice of issuing checks made payable to "cash" be discontinued.

**VI. Application for State School Aid**

- \* It is recommended that Internal control procedures be strengthened over the reporting of information on the Application for State School Aid (ASSA) to ensure District class registers and written procedures are maintained and retained for audit, as required. In addition, students reported on District be supported by appropriate documentation or otherwise not be included on the ASSA.

**VIII. Pupil Transportation**

- \* It is recommended that Internal control procedures be strengthened over the reporting of information on the District Report of Transported Resident Students (DRTRS) to ensure District class registers are maintained and retained for audit, as required.

**IX. Facilities and Capital Assets**

- \* It is recommended that The District update its capital asset records on a timely basis to reflect all current year activity.

**BELLEVILLE TOWNSHIP SCHOOL DISTRICT  
RECOMMENDATIONS**

**X. Miscellaneous**

There are none.

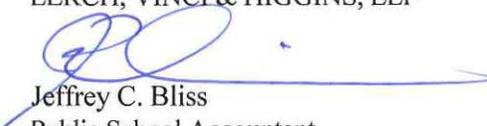
**XI. Status of Prior Years' Audit Findings/Recommendations**

A review was performed on all prior years' recommendations and corrective action was taken on all, except those recommendations denoted with 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  
Public School Accountant  
Certified Public Accountant