

BURLINGTON COUNTY INSTITUTE OF TECHNOLOGY

Westampton, New Jersey
County of Burlington

**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
Burlington County Institute of Technology
County of Burlington
Westampton, New Jersey 08060

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 Burlington County Institute of Technology in the County of Burlington for the year ended June 30, 2015, and have issued our report thereon dated December 10, 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 Burlington County Institute of Technology 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 ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant
No. 1148

Medford, New Jersey
December 10, 2015

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Honorable President and Members
of the Board of Education
Burlington County Institute of Technology
County of Burlington
Westampton, New Jersey 08060

**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
Theresa Margiotta	Business Administrator/Board Secretary	\$100,000

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*.

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.

Salary withholdings were promptly remitted to the proper agencies.

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:23-1.2* 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.

Treasurer's Records

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

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, II, IV and Title VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the Federal and State funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved. The tests of compliance for the major state programs selected did not indicate any areas of noncompliance.

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. 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.

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 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.

School Purchasing Programs (continued):

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 Wood Company by contractual agreement is responsible for the management of the cafeterias and food preparation. 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.

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.

Finding 2015-001:

It was noted during our audit that a general ledger for the food service fund, though kept and maintained by the district, was not maintained in accordance with GAAP.

Recommendation:

That the District maintain proper general ledger for all funds.

Student Body Activities

Our review of the financial and accounting records maintained for the Student Activity Funds discovered various internal control deficiencies.

Finding 2015-002:

During our audit of student activity funds the following internal control issues at the building level were noted:

- Deposits related to student activities were not properly supported to ensure amount deposited agrees to amount collected from students.
- Purchasing controls as stated in Standard Operating Procedures Manual prepared by BCIT are not being followed by teachers and advisors in charge of student activity transactions.
- 7 of 13 departments reviewed did not utilize the inventory and supply form that was mandated by the district's internal control policy.
- 12 of the 13 departments reviewed did not have a listing on the inventory and supply form that accurately displayed the item description, serial number, tag number and service status.
- None of the inventory and supply forms allowed for the tracking of purchases and sales or usage that occurred throughout the year.

Recommendation:

That District employees follow all internal control policies set by the Board of Education.

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

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant
No. 1148

Medford, New Jersey
December 10, 2015

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

BURLINGTON COUNTY INSTITUTE OF TECHNOLOGY
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	2013-2014 Application for State School Aid				Sample for Verification				Resident Low Income				Sample for Verification	
	Reported on A.S.S.A. On Roll	Reported on Workpapers On Roll	Errors Full	Errors Shared	Selected from Workpapers Full	Verified per Registers On Roll	Errors per Registers Full	Errors per Registers Shared	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application & Register	Sample Errors	
Special Ed - High School	411	-	-	-	40	-	-	-	113	113	37	37	-	
Subtotal	411	-	-	-	40	-	-	-	113	113	37	37	-	
Co.Voc.-Regular	1,645	-	-	-	223	-	-	-	607	607	195	195	-	
Co.Voc.Ft.Post Sec.	284	-	-	-	21	-	-	-	-	-	-	-	-	
Totals	2,340	-	-	-	284	-	-	-	720	720	232	232	-	
Percentage Error	-												-	

SCHEDULE OF AUDITED ENROLLMENTS (2)

**BURLINGTON COUNTY INSTITUTE OF TECHNOLOGY
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Special Ed - High	1	1	-	1	1	-
Subtotal	1	1	-	1	1	-
Co.Voc.-Regular	3	3	-	3	3	-
Co.Voc.Ft.Post Sec.	-	-	-	-	-	-
Totals	<u>4</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>
Percentage Error			<u>-</u>			<u>-</u>

SCHEDULE OF AUDITED ENROLLMENTS (3)

**BURLINGTON COUNTY INSTITUTE OF TECHNOLOGY
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Co. Voc.-Regular	3	3	-	3	3	-
Subtotal	3	3	-	3	3	-
Special Ed - High	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Percentage Error		<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>

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>37,961,119</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>-</u> (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>-</u> (B1b)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>2,813,398</u> (B2a)
Assets Acquired Under Capital Leases:	\$ <u>-</u> (B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u><u>35,147,721</u></u> (B3)
6% of adjusted 2013-2014 General Fund Expenditures [(B3) times .06]	\$ <u>2,108,863</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>2,108,863</u> (B5)
Increased by: Allowable Adjustment *	\$ <u>-</u> (K)
Maximum Unassigned Fund Balance [(B5)+(K)]	\$ <u><u>2,108,863</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 06-30-2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>6,626,269</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>1,593,519</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>121,053</u> (C3)
Other Restricted Fund Balances ****	\$ <u>2,900,439</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>7,585</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u><u>2,003,673</u></u> (U)

COUNTY VOCATIONAL DISTRICTS (continued):

SECTION 3

Restricted Fund Balance - Excess Surplus *** {(U)-(M)} IF NEGATIVE ENTER -0- \$ - (E)

Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>121,053</u> (C3)
Reserved Excess Surplus *** [(E)]	<u> -</u> (E)
Total [(C3) + (E)]	<u><u>121,053</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. 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	\$ <u> -</u> (H)
Sale & Lease-back	\$ <u> -</u> (I)
Extraordinary Aid	\$ <u> -</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u> -</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ <u> -</u> (J3)
Family Crisis Transportation Aid	\$ <u> -</u> (J4)
Total Adjustments [(H)+(I)+J1)+(J2)+(J3)+(J4)]	\$ <u> -</u> (K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2015 CAFR and Audit Summary Worksheet Line 90030.

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ <u> -</u>
Sale/Lease-Back Reserve	\$ <u> -</u>
Capital Reserve	\$ <u>2,900,439</u>
Maintenance Reserve	\$ <u> -</u>
Emergency Reserve	\$ <u> -</u>
Tuition Reserve	\$ <u> -</u>
School Bus Advertising 50% Fuel Offset Revenue - current year	\$ <u> -</u>
School Bus Advertising 50% Fuel Offset Revenue - prior year	\$ <u> -</u>
Impact Aid General Fund Reserve	\$ <u> -</u>
Impact Aid Capital Fund Reserve	\$ <u> -</u>
Other State/Government Mandated Reserve	\$ <u> -</u>
Other Restricted Fund Balance Not Noted Above ****	\$ <u> -</u>
Total Other Restricted Fund Balance	\$ <u><u>2,900,439</u></u> (C4)