

# **EGG HARBOR CITY BOARD OF EDUCATION**

**AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS  
-FINANCIAL, COMPLIANCE AND PERFORMANCE**

**June 30, 2015**



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

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## Report of Independent Auditors

Honorable President and  
Members of the Board of Education  
Egg Harbor City School District  
County of Atlantic, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Egg Harbor City School District in the County of Atlantic for the year ended June 30, 2015, and have issued our report thereon dated November 30, 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 solely for the information and use of the Egg Harbor City 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.

Very truly yours,

*Ford, Scott & Associates, L.L.C.*

**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Leon P. Costello*

**Leon P. Costello**  
**Certified Public Accountant**  
**Licensed Public School Accountant**  
**No. 767**

**November 30, 2015**

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## **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, 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, Insurance Schedule contained in the district's CAFR.

#### Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

Name	Position	Amount
Susan E. Palaia	Treasurer	\$185,000
Joseph Smurlo	Board Administrator	25,000
Laura Quinones	Board Secretary	2,000

#### Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges were made. The District does not receive students from any other District therefore, no adjustments were required.

### **Financial Planning, Accounting and Reporting**

#### Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

#### Payroll Account

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

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

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 for proper classification of orders as reserve for encumbrances and accounts payable.

#### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 6:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-2.4. As a result of the procedures

performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**A. General Classification Findings**

None

**B. Administrative Classification Findings**

None

Board Secretary's Records

**Finding 2015-001:**

Contractor was over paid and a change order increasing the amount to the contractor was not board approved.

**Recommendation:**

All payments to vendors should be reviewed and compared to the contract amount prior to payment being made. All change orders for any contracts be board approved.

Treasurer's Records

The records of the Treasurer of School Moneys were maintained in satisfactory condition.

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

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended.

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

Other Special Federal and/or State Projects

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

Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

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

The study of compliance for Special Federal and/or State Projects indicated no areas of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements 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 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.

## **School Purchasing Program**

### **Contracts and Agreements Requiring Advertisement for Bids**

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

a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$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 receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending 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 the 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 NJS 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of NJSA 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

NJSA 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.

The board of education may, by resolution approved by a majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had prior negative experience with the bidder.

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S. A. 18A:18A-3 (as amended) and 18A:39-3 are \$26,000 and \$18,300 respectively.

The business administrator of the school district is a qualified purchasing agent and the board of education adopted a resolution in July 2010 to establish a bid threshold of \$36,000.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the 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 my examination indicated that no individual payments, contracts, or agreements were made for the performance of any 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.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

However, the District approved the utilization of GovDeals for the sale of surplus property in accordance with a state contract.

### **School Food Service**

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with NJSA 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even, including the management fee. The operating results provision has not been met.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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. 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.

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 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.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2013 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule

of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.

### **Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2013-2014 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

### **Follow-up on Prior Years' Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

### **Acknowledgment**

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

**SCHEDULE OF AUDITED ENROLLMENTS**

**EGG HARBOR CITY SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-2016 Application for State School Aid (10/15/14 data)						Sample for Verification												
	Reported on A.S.S.A. on Roll			Reported on Workpapers on Roll			Errors			Sample Selected from Workpapers			Verified per Registers on Roll			Errors per Registers on Roll			
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		20	Shared		Full	Shared		
Full Day Preschool 4 yrs	50			50									20						
Full Day Kindergarten	43			43									17						
One	43			43									17						
Two	47			47									18						
Three	44			44									17						
Four	33			33									20						
Five	43			43									18						
Six	32			32									15						
Seven	28			28									14						
Eight	45			45									23						
Subtotal	408			408									179						
Special Ed Elementary	63			63									29						
Special Ed Middle School	32			32									14						
Subtotal	95			95									43						
Totals	503			503									222						
Percentage							0.00%									0.00%			0.00%

SCHEDULE OF AUDITED ENROLLMENTS

EGG HARBOR CITY SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

	Reported on ASSA as Private Schools		Private School for Disabled		Reported on ASSA as Low Income		Resident Low Income		Sample for Verification		Reported on ASSA as Low Income		Resident LEP Low Income		
	Sample Verified	Sample Errors	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Errors	Reported on ASSA as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as Low Income	Errors	Reported on ASSA as Low Income	Errors
Half Day Preschool 4 yrs	-	-	-	-	33	-	33	-	17	17	-	6	6	6	-
Full Day Kindergarten	-	-	-	-	40	-	40	-	21	21	-	3	3	3	-
One	-	-	-	-	33	-	33	-	17	17	-	4	4	4	-
Two	-	-	-	-	32	-	32	-	17	17	-	-	-	-	-
Three	-	-	-	-	27	-	27	-	14	14	-	-	-	-	-
Four	-	-	-	-	36	-	36	-	19	19	-	1	1	1	-
Five	-	-	-	-	26	-	26	-	13	13	-	-	-	-	-
Six	-	-	-	-	19	-	19	-	10	10	-	2	2	2	-
Seven	-	-	-	-	30	-	30	-	15	15	-	2	2	2	-
Eight	-	-	-	-	276	-	276	-	143	143	-	17	17	17	-
Subtotal	-	-	-	-	276	-	276	-	143	143	-	17	17	17	-
Special Ed Elementary	1	-	1	-	54	-	54	-	28	28	-	2	2	2	-
Special Ed Middle School	1	-	1	-	31	-	31	-	16	16	-	-	-	-	-
Subtotal	1	-	1	-	85	-	85	-	44	44	-	2	2	2	-
Totals	1	-	1	-	361	-	361	-	187	187	-	19	19	19	-
Percentage Error						0.00%							0.00%		0.00%

**SCHEDULE OF AUDITED ENROLLMENTS**

**EGG HARBOR CITY SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014**

	Sample for Verification		Resident LEP Not Low Income		Sample for Verification	
	Sample Selected from Workpapers	Verified to Test Score and Register	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day, Preschool, 4 yrs	5	5	-	-	-	-
Full Day Kindergarten	3	3	-	-	-	-
One	3	3	-	-	-	-
Two	3	3	-	-	-	-
Three						
Four	1	1	-	-	-	-
Five						
Six	1	1	-	-	-	-
Seven	1	1	-	-	-	-
Eight	2	2	-	-	-	-
Subtotal	15	15	-	-	-	-
Special Ed Elementary	2	2	-	-	-	-
Special Ed Middle School						
Subtotal	2	2	-	-	-	-
Totals	17	17	-	-	-	-
Percentage Error			0.00%	0.00%	0.00%	

	Transportation		
	Reported on DRTS by DOE	Reported on DRTS by District	Errors
Reg.-Public Schools, col. 1	12	12	9
Reg.-Special Ed., col. 4	2	2	2
Transported - Non-Public, col. 3	11	11	8
Special Needs - Public, col. 6	22	22	17
Totals	47	47	36
Percentage Error			0.00%

	Reported	Re-Calculated
Avg. Mileage-Regular including Grade PK students	7.2	7.2
Avg. Mileage-Regular excluding Grade PK students	7.2	7.2
Avg. Mileage-Special Ed with Special Needs	8.3	8.3

**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	8,705,411	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund			(B1a)
Transfer from Capital Reserve to Capital Projects Fund		252,918	(B1b)
Transfer from General Fund to SRF for PreK-Regular		192,481	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion			(B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security		(579,582)	(B2a)
Assets Acquired Under Capital Leases			(B2b)
Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]		<u>8,571,228</u>	(B3)
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]		<u>171,425</u>	(B4)
Enter greater of (B4) or \$250,000		250,000	(B5)
Increased by: Allowable Adjustment *		<u>3,433</u>	(K)
Maximum Unreserved/Undesignated -Unreserved Fund Balance [(B5)+(K)]			<u>253,433</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-15 (Per CAFR Budgetary Comparison Schedule C-1)		1,111,861	C
Decreased by:			
Year-end Encumbrances		(9,073)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures			(C2)
Legally Restricted - Excess Surplus - Designated for for Subsequent Year's Expenditures **		(237,913)	(C3)
Other Reserved Fund Balances ****		(52,172)	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures		<u>(56,357)</u>	(C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]			<u>756,346</u> (U1)

**SECTION 3**

Reserved Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-			<u>502,913</u> (E)
---	--	--	--------------------

**Recapitulation of Excess Surplus as of June 30, 2015**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **		237,913	(C3)
Reserved Excess Surplus ***[(E)]		<u>502,913</u>	(E)
Total Excess Surplus [(C3) + (E)]	\$	<u>740,826</u>	(D)

\* Allowable adjustment to expenditures on line K must be detailed as follows  
This adjustment line (as detailed below) is to be utilized when applicable for:  
(H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2015 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve- General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4):  
(I) Sale of Lease-back (Refer to the Audit Program Section II, Chapter 10);  
(J1) Extraordinary Aid;  
(J2) Additional Nonpublic School Transportation Aid;  
(J3) Recognized current year school bus Advertising Revenue; and  
(J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for Restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

**Detail of Allowable Adjustments**

Impact Aid		-	(H)
Sale & Lease-back		-	(I)
Extraordinary Aid		2,389	(J1)
Additional Nonpublic School Transportation Aid		1,044	(J2)
Current Year School Bus Advertising Revenue Recognized		-	(J3)
Family Crisis Transportation Aid		<u>-</u>	(J4)
Total Adjustments [(H)+(I)=(J1)+(J2)+(J3)+(J4)]	\$	<u>3,433</u>	(K)

\*\* This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

\*\*\* Amount must agree to the June 30, 2015 CAFR and the sum of the two lines must agree to Audit Summary Line 90030.

\*\*\*\* 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 an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	-
Sale/lease-back reserve	-
Capital reserve	<u>26,700</u>
Maintenance reserve	<u>25,472</u>
Emergency reserve	-
Tuition reserve	-
School Bus Advertising 50% Fuel Offset Reserve- current year	-
School Bus Advertising 50% Fuel Offset Reserve- prior year	-
Impact Aid General Fund Reserve (Sections 8002 and 8003)	-
Impact Aid General Fund Reserve (Sections 8007 and 8008)	-
Other state/government mandated reserves	-
Other Reserved Fund Balance not noted above****	-
Total Other Reserved Fund Balance	<u>\$ 52,172 (C4)</u>