

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

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

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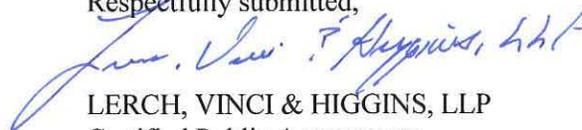
Honorable President and Members  
of the Board of Trustees  
Oakland Board of Education  
Oakland, New Jersey

We have audited in accordance with audit 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 Oakland Board of Education as of and for the fiscal year ended June 30, 2015 and have issued our report thereon dated December 21, 2015.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



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



Paul J. Lerch  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
December 21, 2015

**OAKLAND BOARD OF EDUCATION  
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 Moneys, the activities of the Board of Education, 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 reported on Exhibit J-20 as contained in the district's Comprehensive Annual Financial Report (the "CAFR").

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Mr. Kyle Bleeker	Board Secretary/School Business Administrator	\$210,000
Ms. Deanna Dugan	Treasurer of School Monies	231,000

There is Employees' Dishonesty with Faithful Performance coverage with Utica Mutual Insurance Company covering all other employees.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

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

**Payroll**

All payrolls tested were certified by the Board President, the Board Secretary/Business Administrator, and the Chief School Administrator.

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

Salary withholdings tested 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 goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. 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.

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

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

**Reserve for Encumbrances and Accounts Payable (Continued)**

**Finding** – Our audit of the open purchase orders at June 30<sup>th</sup> revealed the following:

- General Fund encumbrances included \$117,205 for salaries and wages that were invalid. The financial statements have been adjusted to reflect these cancelled encumbrances at June 30th.
- Special Revenue Fund encumbrances included \$95,928 for amounts due back to the grantor for Chapter 192/193. The financial statements have been adjusted to reflect these amounts due back to the grantor for the unspent Chapter 192/193 funds at June 30th.
- Capital Projects fund encumbrances included an amount due to the contractor for the Heights Elementary School roof project; however this project was completed as of April 2015. The financial statements have been adjusted to reflect this amount due to the contractor as an accounts payable at June 30<sup>th</sup>.

**Recommendation** – It is recommended that purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All purchase orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled.

**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 specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3.

**Finding** – Our audit of expenditures revealed the following misclassified and misbudgeted expenditures:

- Lease payment for chrome books was charged to general supplies in the General Fund; the expenditure and related appropriation was reclassified to object code (440) rentals.
- Internet services were charged to miscellaneous expenditures in the General Fund; the expenditure and related appropriation was reclassified to object code (530) communications/telephone.
- A 3D printer and a LED scoreboard were charged to general supplies in the Special Revenue Fund; the expenditure and related appropriation was reclassified to “Capital Outlay” (732) non instructional equipment.
- The Heights Elementary School roof project was charged to cleaning, repair and maintenance services in the Capital Projects Fund; the expenditure was reclassified to construction services.

**Recommendation** – The District to reference the Uniform Minimum Chart of Account for New Jersey Public Schools Edition for the proper classifications required to be in compliance with N.J.A.C. 6A:23A.16.2(f).

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

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Bids received were summarized in the minutes.

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

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating account, payroll account, payroll agency account and the food service accounts.

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

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Fiduciary Fund.

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. 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

Our examination 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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed Exhibits K-3 and K-4 located in the CAFR.

Our examination 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 Fund section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

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

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

There were none.

Non-Public State Aid

Project completion reports were finalized and transmitted to the State by the due date.

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

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

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 18A:39-3 is currently \$18,300. The Board has designated the Business Administrator as the Qualified Purchasing Agent for the District.

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our 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, amended.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that the district purchased items through the use of State contracts.

**Food Service Fund**

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.

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC), Pomptonian and is depositing and expending program monies in accordance with N.J.S.A. 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 have a profit of \$5,000. The operating results provision has been met.

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.

Expenditures were 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.

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

**Food Service Fund (Continued)**

Food Distribution Program commodities were reviewed 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 G of the CAFR.

**Student Activity Funds**

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

**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 school for the handicapped, low-income, and bilingual education. 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 has adequate written procedures for the recording of student enrollment data.

**Pupil Transportation**

Our audit procedures included a test of on-roll status reported in the 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report 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.

**Facilities and Capital Assets**

Our audit procedures included a review of the SDA grant agreement for consistencies with recording SDA revenue, transfer of local funds from General Fund or from capital reserve account, and awarding of contract for eligible facilities construction.

**Follow-up on Prior Year Findings**

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

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

**NOT APPLICABLE**

**OAKLAND BOARD OF EDUCATION  
FOOD SERVICE FUND  
COMPARISON OF NET CASH RESOURCES TO THREE MONTHS AVERAGE EXPENDITURES  
ENTERPRISE FUND  
AS OF JUNE 30, 2015**

**NOT APPLICABLE**



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

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	5	5	-	3	3	-	-	-	-	-	-	-
1st Grade	6	6	-	3	3	-	1	1	-	1	1	-
2nd Grade	8	8	-	4	4	-	-	-	-	-	-	-
3rd Grade	5	5	-	2	2	-	-	-	-	-	-	-
4th Grade	6	6	-	3	3	-	-	-	-	-	-	-
5th Grade	9	9	-	5	5	-	-	-	-	-	-	-
6th Grade	6	6	-	2	2	-	-	-	-	-	-	-
7th Grade	11	11	-	5	5	-	2	2	-	-	-	-
8th Grade	13	13	-	5	5	-	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>69</b>	<b>69</b>	<b>-</b>	<b>32</b>	<b>32</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>
Spec Ed - Elementary	23	23	-	12	12	-	5	5	-	4	4	-
Spec Ed - Middle School	10	10	-	5	5	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>33</b>	<b>33</b>	<b>-</b>	<b>17</b>	<b>17</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>
<b>Totals</b>	<b>102</b>	<b>102</b>	<b>-</b>	<b>49</b>	<b>49</b>	<b>-</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	251	251	-	40	40	-
Transported - Non-Public	3	3	-	1	1	-
AIL - Non-Public	30	30	-	20	20	-
Regular - Spec.	58	58	-	11	11	-
Special Needs - Public	24	24	-	12	12	-
<b>Totals</b>	<b>366</b>	<b>366</b>	<b>-</b>	<b>84</b>	<b>84</b>	<b>-</b>
					<u>0.00%</u>	

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

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

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

2014-2015 Total General Fund Expenditures per the CAFR	\$	28,697,520
Increased by :		
Transfer from Capital Reserve to Capital Projects Fund		1,221,600
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$	2,525,881
Assets Acquired Under Capital Leases		<u>336,205</u>
		<u>2,862,086</u>
Adjusted 2014-2015 General Fund Expenditures	\$	<u>27,057,034</u>
2% of Adjusted 2014-2015 General Fund Expenditures	\$	541,141
Increased by: Allowable Adjustments		
Extraordinary Aid in Excess of Amount Budgeted		33,195
Nonpublic School Transportation Aid		<u>5,590</u>
Maximum Unreserved/Undesignated Fund Balance	\$	<u>579,926</u>
Total General Fund - Fund Balances at June 30, 2015	\$	5,510,594
Decreased by:		
Year-End Encumbrances	\$	370,137
Emergency Reserve		126,204
Capital Reserve		3,209,026
Capital Reserve - Designated for Subsequent Year's Expenditure		1,049,900
Maintenance Reserve		75,401
Assigned Fund Balance - Unreserved		
Designated for Subsequent Year's Expenditures		<u>100,000</u>
		<u>4,930,668</u>
Total UnassignedUnrestricted Fund Balance	\$	<u>579,926</u>
Restricted Fund Balance - Excess Surplus		<u>0</u>

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

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$	-
Reserved Excess Surplus		<u>-</u>
	\$	<u>-</u>

# OAKLAND BOARD OF EDUCATION

## RECOMMENDATIONS

### I. Administration Practices and Procedures

There are none.

### II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Purchase order should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services have been received or the services rendered. All purchase orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled.
2. District to reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools Edition for the proper classification required to be in compliance with N.J.A.C. 6A:23A.16.2(f).

### III. School Purchasing Program

There are none.

### IV. Food Service Fund

There are none.

### V. Student Body Activities

There are none.

### VI. Application for State School Aid

There are none.

### VII. Pupil Transportation

There are none.

### VIII. Facilities and Capital Assets

There are none.

### VIII. Miscellaneous

There are none.

### IX. Status of Prior Year Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all.

OAKLAND BOARD OF EDUCATION

RECOMMENDATIONS

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



Paul J. Lerch  
Public School Accountant  
Certified Public Accountant