

**ORADELL BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2015**

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

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Honorable President and Members  
of the Board of Trustees  
Oradell Board of Education  
Oradell, 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 Oradell Board of Education in the County of Bergen as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 23, 2015.

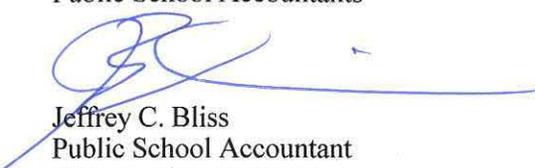
As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely 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*

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

  
Jeffrey C. Bliss  
Public School Accountant  
PSA Number CS00932

Fair Lawn, New Jersey  
November 23, 2015

**ORADELL 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 the 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 the Insurance Schedule (Exhibit J-20) contained in the district's CAFR.

**Officials Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Angelo DeSimone	Treasurer of School Monies	\$200,000
Heather Goguen	Business Administrator	\$200,000

There is a Public Employee Dishonesty Crime Coverage with the Selective Insurance Company of America covering all other employees with multiple coverage of \$100,000 per employee (primary) and \$400,000 per loss (excess).

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made.

**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 each of signature, certification and proper itemization.

- **Finding** – We noted receipt of goods signatures were not obtained on certain purchase orders approved for payment.

**Recommendation** – Receipt of goods signatures be obtained on all purchase orders prior to payment.

**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.

Payrolls tested were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

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

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

Payroll Account (Continued)

- **Finding** – Our review of the Payroll Agency deduction ledger revealed numerous mispostings of receipt and disbursements to the individual deduction sub-accounts.

**Recommendation** – Greater care be exercised in the posting of transactions to the Payroll Agency deduction ledger to ensure amounts are recorded to the proper deduction sub-accounts.

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.

Board Secretary's Records

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

The prescribed contractual order system was followed.

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

- **Finding** – Our audit revealed a ledger was not maintained by individual of COBRA insurance payments and reimbursements. Review of individuals receiving COBRA insurance revealed that one individual that terminated health insurance coverage was not removed in a timely manner.

**Recommendation** – A detailed ledger be maintained of COBRA insurance payments and reimbursements.

Treasurer's Records

The Treasurer did perform cash reconciliations for all district accounts as required by N.J.S.A. 18A:17-36.

All cash receipts were promptly deposited.

The Treasurer's cash balances were in agreement with the cash balances per the Board Secretary's report.

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:23A-8.3. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

Elementary and Secondary School Education Act (E.S.E.A)/Improving America's Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind (NCLB) 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 projects under the Elementary and Secondary Education Act, as amended.

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

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

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit 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 contained herein represent a true statement of 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.

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

There were no TPAF employees' salaries paid from federal funds during the current fiscal year. Therefore, no TPAF reimbursement amounts were due to the State at June 30, 2015.

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 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. This law regulating bidding for public school transportation contracts under N.J.S.A. 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, effective July 1, 2005. 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 Business Administrator as the qualified purchasing agent.

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 the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, 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.

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

**Food Service Fund**

The financial transactions and statistical records of the School Food Service were maintained in satisfactory condition.

Applications for free and reduced milk were reviewed for completeness and accuracy during our audit of the Application for State School Aid (A.S.S.A). The free milk policy is uniformly administered throughout the School System. The required verification procedures for free applications were completed and available for review.

The number of milks claimed for reimbursement were compared to milk count records. As part of the claims review process the edit check work sheet was completed.

Expenditures were separately recorded as food and other costs. Vendor invoices were reviewed and costs verified.

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.

- **Finding** – Our audit noted the Food Service Fund’s net cash resources at June 30, 2015 exceeded the three month average of expenditures for the 2014/2015 school year.

**Recommendation** – Appropriate action be taken in the Food Service Fund to ensure net cash resources do not exceed the three month average of expenditures.

**Extended Year Summer Program Fund**

The financial records and books of account maintained for the Extended Year Summer Program were in good condition.

**Student Body Activities**

The Board has a policy which clearly establishes the regulation of student activities.

- **Finding** – Our review of the 6<sup>th</sup> grade commencement account revealed that three (3) checks were issued for gratuities with no supporting documentation made available for audit.

**Recommendation** – All disbursements from the 6<sup>th</sup> grade commencement account be accompanied by proper supporting documentation.

**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 disabled, and low-income. 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. This 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 of their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

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

**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 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 procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account and awarding of contracts for eligible facilities construction.

**Follow-Up on Prior Years' Findings**

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations.

**Management Suggestions**

- Reconciling items on the monthly bank account reconciliations be reviewed and cleared of record in a timely manner.
- SDA grant reimbursement be requested for the security project.
- State contract and cooperative purchasing contract information should be maintained on file in the District.

**ORADELL BOARD OF EDUCATION  
FOOD SERVICE FUND  
SCHEDULE OF MEAL COUNT ACTIVITY  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(MEMORANDUM ONLY)**

**SCHEDULE OF MEAL COUNT ACTIVITY**

**INFORMATION NOT REQUIRED**

**FOOD SERVICE FUND  
NET CASH RESOURCE SCHEDULE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NET CASH RESOURCE**

**INFORMATION NOT REQUIRED**

ORADELL BOARD OF EDUCATION  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 SCHEDULE OF AUDITED ENROLLMENTS  
 ENROLLMENT AS OF OCTOBER 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					-												
Half Day Preschool - 4 years					-												
Half Day Kindergarten					-												
Full Day Kindergarten	78		78		-			78		78							
1st Grade	97		97		-			97		97							
2nd Grade	105		105		-			105		105							
3rd Grade	84		84		-			84		84							
4th Grade	101		101		-			101		101							
5th Grade	81		81		-			81		81							
6th Grade	91		91		-			91		91							
7th Grade					-												
8th Grade					-												
9th Grade					-												
10th Grade					-												
11th Grade					-												
12th Grade					-												
<b>Subtotal</b>	<b>637</b>	<b>-</b>	<b>637</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>637</b>	<b>-</b>	<b>637</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	79		79		-			79		79				2	2	2	-
Spec Ed- Middle School	17		17		-			17		17				-	-	-	-
Spec Ed - High School					-												-
<b>Subtotal</b>	<b>96</b>	<b>-</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96</b>	<b>-</b>	<b>96</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>-</b>
<b>Totals</b>	<b>733</b>	<b>-</b>	<b>733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>733</b>	<b>-</b>	<b>733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>-</b>
<b>Percentage Error</b>					<b>0.00%</b>					<b>0.00%</b>							<b>0.00%</b>

**ORADELL BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLEMENT AS OF OCTOBER 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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-			-			-
Half Day Pre-School (4 Yrs)			-			-			-			-
Full Day Kindergarten	2	2	-	1	1	-			-			-
1st Grade			-			-			-			-
2nd Grade			-			-			-			-
3rd Grade	1	1	-	1	1	-			-			-
4th Grade	1	1	-	1	1	-			-			-
5th Grade	1	1	-	1	1	-			-			-
6th Grade			-			-			-			-
7th Grade			-			-			-			-
8th Grade			-			-			-			-
9th Grade			-			-			-			-
10th Grade			-			-			-			-
11th Grade			-			-			-			-
12th Grade			-			-			-			-
<b>Subtotal</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	1	1	-	1	1	-			-			-
Spec Ed - Middle School			-			-			-			-
Spec Ed - High School			-			-			-			-
<b>Subtotal</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>#DIV/0!</u>			<u>#DIV/0!</u>

**Transportation**

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
	Regular - Public Schools					
Regular - Spec.			-			-
AIL	19	19	-	15	15	
Transported - Non-Public	1	1	-			-
Special Needs - Public	8	8	-	4	4	-
<b>Totals</b>	<b>28</b>	<b>28</b>	<b>-</b>	<b>19</b>	<b>19</b>	<b>-</b>
			<u>0.00%</u>			<u>0.00%</u>

**ORADELL BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLMENT AS OF OCTOBER 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 Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten			-			-
Full Day Kindergarten	15	15	-	11	11	-
1st Grade	5	5	-	5	5	-
2nd Grade	7	7	-	7	7	-
3rd Grade	2	2	-	2	2	-
4th Grade	1	1	-	1	1	-
5th Grade	-	-	-	-	-	-
6th Grade	1	1	-	1	1	-
7th Grade			-			-
8th Grade			-			-
9th Grade			-			-
10th Grade			-			-
11th Grade			-			-
12th Grade			-			-
<b>Subtotal</b>	<b>31</b>	<b>31</b>	<b>-</b>	<b>27</b>	<b>27</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>31</b>	<b>31</b>	<b>-</b>	<b>27</b>	<b>27</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

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

**SECTION 1**

**Two Percent (2%) - Calculation of Excess Surplus**

2014-2015 Total General Fund Expenditures per the CAFR	\$	11,217,413
Increase by:		
Transfer from Capital Reserve to Capital Projects Fund		
Decreased by:		
On-Behalf TPAF Pension & Social Security		(1,049,125)
Assets Acquired Under Capital Leases		<u>-</u>
Adjusted 2014-2015 General Fund Expenditures	\$	<u>10,168,288</u>
2% of Adjusted 2014-2015 General Fund Expenditures	\$	<u>203,366</u>
Enter Greater of 2% of \$250,000		250,000
Increased by:		
Allowable Adjustments		<u>87,683</u>
	\$	337,683

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2015 (Budgetary Basis)	\$	2,499,701
Decreased by:		
Restricted Fund Balance:		
Capital Reserve		(966,449)
Maintenance Reserve		(450,000)
Emergency Reserve		(250,000)
Reserved Excess Surplus - Designated for Subsequent Year's Budget		(162,353)
Committed and Assigned Fund Balance:		
Year End Encumbrances		<u>(76,185)</u>
Unassigned Fund Balance:		<u>\$ 594,714</u>
Restricted Fund Balance - Reserved Excess Surplus (June 30, 2016)	\$	<u>257,031</u>

**SECTION 3**

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

Reserved Excess Surplus	\$	257,031
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		<u>162,353</u>
	\$	<u>419,384</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	\$	84,377
Non Public School Transportation Aid		<u>3,306</u>
	\$	<u>87,683</u>

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

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

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

It is recommended that:

1. Receipt of goods signatures be obtained on all purchase orders prior to payment.
2. Greater care be exercised in the posting of transactions to the Payroll Agency deduction ledger to ensure amounts are recorded to the proper deduction sub-accounts.
3. A detailed ledger be maintained of COBRA insurance payments and reimbursements.

**III. School Purchasing Program**

There are none.

**IV. School Food Services**

It is recommended that appropriate action be taken in the Food Service Fund to ensure net cash resources do not exceed the three month average of expenditures.

**V. Extended Year Summer Program Fund**

There are none.

**VI. Student Body Activities**

It is recommended that all disbursements from the 6<sup>th</sup> grade commencement account be accompanied by proper supporting documentation.

**VII. Application for State School Aid**

There are none.

**VIII. Pupil Transportation**

There are none.

**IX. Facilities and Capital Assets**

There are none.

**X. Miscellaneous**

There are none.

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

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

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

**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  
Certified Public Accountant  
Public School Accountant