

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

**WALL TOWNSHIP BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Education
Wall Township Board of Education
Wall Township, 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 Wall Township Board of Education as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 2, 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
Certified Public Accountants
Public School Accountants

Donna L. Japhet
Public School Accountant
PSA Number CS002314

Fair Lawn, New Jersey
December 2, 2015

**WALL TOWNSHIP 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 Monies, 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 detailed on the Insurance Schedule contained in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Pablo Canela	Treasurer	\$350,000
Brian J. Smyth	Board Secretary/School Business Administrator	350,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$500,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were greater than estimated costs.

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.

Finding – Our audit of claims found numerous instances where goods/services were received/rendered prior to purchase order approval being obtained.

Recommendation – It is recommended that purchase order approval be obtained prior to goods/services being obtained/rendered.

Payroll/Personnel

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 certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies.

The District filed the required certification (ECERT1) of compliance with requirements for income tax compensation of certain administrators with the NJ Department of Treasury by the March 15 due date.

Employee Position Control Roster

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

**WALL TOWNSHIP 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

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 received for propriety and to determine that goods were received and services were rendered, as of June 30.

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, a separate test was made to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3 as it relates to administrative coding classification.

Board Secretary's Records

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

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

Finding – A certain budget appropriation line item was overexpended as a result of an audit adjustment made for the debit/credit memo for County Special Services tuition. The overexpenditure was a result of an audit adjustment, therefore no recommendation is warranted.

Treasurer's Records

The Treasurer did perform cash reconciliations for all accounts required.

All cash receipts were promptly deposited.

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 Expendable Trust 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 the projects under Titles II and III of the Elementary and Secondary Education Act, as amended.

The audit indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

**WALL TOWNSHIP BOARD OF EDUCATION
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 of 2001 (Continued)

The State Department of Education completed a Consolidated Monitoring Report dated April 2015 of the Federal grant programs administered by the District for the period July 1, 2013 through January 22, 2015.

The findings noted in the report included the following:

- Title II expenditures totaling \$1,295 were used to supplant state/local funds for student use or activities.
- The District did not consistently ensure that the required participants were in attendance at annual review, re-evaluation planning and eligibility meetings in conjunction with the use of IDEA funds.
- Purchase orders were not issued prior to services being rendered.

The District must monitor the programs to ensure each finding has been properly addressed.

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 audit 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.

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

Nonpublic State Aid

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

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:39-3(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 has designated the School Business Administrator/Board Secretary as the qualified purchasing agent.

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

School Purchasing Programs (Continued)

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.

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 purchases were made through the use of State contracts.

School Food Service

The financial transactions and statistical records of the school food services were maintained in good 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 number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed.

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.

Finding - Our audit revealed an operating loss of \$25,609, thereby resulting in a year-end deficit of \$2,574 in unrestricted net position of the Food Service Fund.

Recommendation – Appropriate action be taken to ensure adequate funds are available to sustain the operations of the Food Service Fund.

Expenses 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. The appropriate revenue and expense 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.

U.S.D.A. 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 CAFR on Exhibits B-4, B-5 and B-6.

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

After School Prep Programs

The financial records of the After School Prep Programs were maintained in good condition.

Student Body Activities

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

Cash receipts and disbursements records for the student activity accounts were maintained in good condition.

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, bilingual 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 District workpapers without exception. The information on the workpapers was verified with exceptions as noted below. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding – Our audit indicated that low income eligibility status per student’s application was not always in agreement with status indicated on District’s attendance/student register software due to a problem synchronizing software.

Recommendation – Internal controls be enhanced to ensure that attendance/student register software reports are in agreement with student’s proper eligibility status as per their application.

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 with minor exceptions. 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. 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 agreements for consistency with recording SDA revenue, transfer of local funds from the General Fund or from the Capital Reserve Account and awarding of contracts per eligible facilities construction.

Follow-up on Prior Year Findings

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

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

INFORMATION NOT APPLICABLE

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

INFORMATION NOT APPLICABLE

**WALL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2014**

	2015-16 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	5	-	5	-	-	-	5	-	5	-	-	-				
Full Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Preschool - 4 years	6	-	6	-	-	-	6	-	6	-	-	-				
Full Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
Full Day Kindergarten	212	-	212	-	-	-	18	-	18	-	-	-				
1st Grade	212	-	212	-	-	-	41	-	41	-	-	-				
2nd Grade	195	-	195	-	-	-	51	-	51	-	-	-				
3rd Grade	199	-	199	-	-	-	68	-	68	-	-	-				
4th Grade	228	-	228	-	-	-	53	-	53	-	-	-				
5th Grade	240	-	240	-	-	-	31	-	31	-	-	-				
6th Grade	252	-	252	-	-	-	252	-	252	-	-	-				
7th Grade	242	-	242	-	-	-	242	-	242	-	-	-				
8th Grade	291	-	291	-	-	-	291	-	291	-	-	-				
9th Grade	239	-	239	-	-	-	239	-	239	-	-	-				
10th Grade	249	-	249	-	-	-	249	-	249	-	-	-				
11th Grade	262	11	262	11	-	-	262	11	262	11	-	-				
12th Grade	233	8	233	8	-	-	233	8	233	8	-	-				
Subtotal	3,065	19	3,065	19	-	-	2,041	19	2,041	19	-	-	-	-	-	-
Spec Ed - Elementary	222	-	222	-	-	-	53	-	53	-	-	-	7	7	7	-
Spec Ed - Middle School	139	-	139	-	-	-	-	-	-	-	-	-	3	2	2	-
Spec Ed - High School	178	32	178	32	-	-	2	32	2	32	-	-	24	20	20	-
Subtotal	539	32	539	32	-	-	55	32	55	32	-	-	34	29	29	-
Totals	3,604	51	3,604	51	-	-	2,096	51	2,096	51	-	-	34	29	29	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**WALL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2014**

	Low Income			Sample for Verification			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	-	-	-	-	-	-	-	-	-	-	-	-
1st Grade	18	18	-	3	3	-	3	3	-	2	1	1
2nd Grade	22	22	-	4	2	2	3	3	-	2	1	1
3rd Grade	18	18	-	3	3	-	5	5	-	4	4	-
4th Grade	22	22	-	4	3	1	5	5	-	4	2	2
5th Grade	20	20	-	3	3	-	3	3	-	3	3	-
6th Grade	21	21	-	4	2	2	-	-	-	-	-	-
7th Grade	21	21	-	4	2	2	-	-	-	-	-	-
8th Grade	26	26	-	5	4	1	-	-	-	-	-	-
9th Grade	20	20	-	3	2	1	-	-	-	-	-	-
10th Grade	19	19	-	3	2	1	1	1	-	1	1	-
11th Grade	27	27	-	5	3	2	2	2	-	2	1	1
12th Grade	18	18	-	3	2	1	1	1	-	1	1	-
Subtotal	252	252	-	44	31	13	23	23	-	19	14	5
Spec Ed - Elementary	29	29	-	5	4	1	2	2	-	2	2	-
Spec Ed - Middle School	31	31	-	5	4	1	-	-	-	-	-	-
Spec Ed - High School	35	35	-	6	4	2	-	-	-	-	-	-
Subtotal	95	95	-	16	12	4	2	2	-	2	2	-
Totals	347	347	-	60	43	17	25	25	-	21	16	5
Percentage Error			<u>0.00%</u>			<u>28.33%</u>			<u>0.00%</u>			<u>23.81%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	1,613	1,613	-	43	42	1
Transported - Non-Public	454	454	-	12	12	-
Regular - Spec.	461	467	(6)	13	13	-
Special Needs - Public	130	124	6	3	3	-
Totals	2,658	2,658	-	71	70	1
			<u>0.00%</u>			<u>1.41%</u>

**WALL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 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	2	2	-	2	2	-
1st Grade	6	6	-	5	5	-
2nd Grade	1	1	-	1	1	-
3rd Grade	4	4	-	3	3	-
4th Grade	3	3	-	2	2	-
5th Grade	3	3	-	3	3	-
6th Grade	1	1	-	1	1	-
7th Grade	2	2	-	2	2	-
8th Grade	2	2	-	2	2	-
9th Grade	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-
11th Grade	1	1	-	1	1	-
12th Grade	-	-	-	-	-	-
Subtotal	25	25	-	22	22	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	25	25	-	22	22	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**WALL TOWNSHIP 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	\$ 70,467,846
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	826,800
Decreased by:	
Capital Leases	\$ 205,364
On-Behalf TPAF Pension & Reimbursed TPAF Social Security	<u>6,066,572</u>
	<u>6,271,936</u>
Adjusted 2014-2015 General Fund Expenditures	<u>\$ 65,022,710</u>
2% of Adjusted 2014-2015 General Fund Expenditures	\$ 1,300,454
Increased by:	
Allowable Adjustment - Nonpublic Transportation Aid	<u>1,228</u>
Maximum Unassigned Fund Balance	<u>\$ 1,301,682</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2015	\$ 6,459,194
Decreased by:	
Reserved for Encumbrances	\$ 112,588
Restricted Fund Balance-Capital Reserve	2,028,838
Restricted Fund Balance-Maintenance Reserve	200,000
Restricted Fund Balance-Emergency Reserve	223,500
Assigned Fund Balance - ARRA SEMI	17,748
Designated for Subsequent Year's Expenditures	
Emergency Reserve	375,000
Maintenance Reserve	525,000
Capital Reserve	1,424,838
Designated for Subsequent Year's Expenditures	<u>250,000</u>
	<u>5,157,512</u>
Total Unassigned Fund Balance	<u>\$ 1,301,682</u>

**WALL TOWNSHIP BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that purchase order approval be obtained prior to goods/services being obtained/rendered.

III. School Purchasing Program

There are none.

IV. School Food Services

It is recommended that appropriate action be taken to ensure adequate funds are available to sustain the operations of the Food Service Fund.

V. After School Prep Programs

There are none.

VI. Student Body Activities

There are none.

VII. Application for State School Aid

It is recommended that internal controls be enhanced to ensure that attendance/student register software reports are in agreement with student's proper eligibility status as per their application.

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 years' recommendations and corrective action was taken on all.

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



Donna L. Japhet
Certified Public Accountant
Public School Accountant