

OCEAN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT

Toms River, New Jersey
County of Ocean

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2015**

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

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**REPORT OF INDEPENDENT AUDITORS
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE**

Honorable President and Members
of the Board of Education
Ocean County Vocational-Technical School District
County of Ocean
Toms River, New Jersey 08753

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 Ocean County Vocational-Technical School District in the County of Ocean for the year ended June 30, 2015, and have issued our report thereon dated December 3, 2015.

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

This report is intended for the information of the Ocean County Vocational-Technical School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Frank B. Holman, III
Certified Public Accountant
Public School Accountant, No. 783

Toms River, New Jersey
December 3, 2015

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Honorable President and Members
of the Board of Education
Ocean County Vocational-Technical
School District
County of Ocean, New Jersey

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary 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

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, 18A:13-13)

Name	Position	Amount
Frank Frazee	Business Administrator/Board Secretary	\$100,000
Debra L. Ness	Treasurer	250,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The District made a proper adjustment to the billings to sending districts for the decrease in per pupil cost in accordance with *N.J.A.C.6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Financial Planning, Accounting and Reporting (continued)

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, the Board Secretary/Business Administrator, and the Chief School Administrator.

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

Payrolls were delivered to the Secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

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 *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 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.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer of School Monies were found to be in satisfactory condition.

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

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

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

Financial Planning, Accounting and Reporting (continued)

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 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 with the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

No exceptions were noted in our study of compliance for the special projects.

Federal Pell Grant

The Federal Pell Grant's primary purpose is to provide student financial aid to qualified post-secondary students.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly 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. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) 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 for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The District did not have any salaries paid from federal funds.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

The bid thresholds in accordance with *N.J.S.A.18A:18A-2* and *18A:18A-3(a)* are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.18A:39-3* is \$18,300 for 2014-15.

The 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.

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

Based on the results of our examination we did not note any individual payments, contracts or agreements 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*.

School Food Service

The financial transactions and statistical records of the School Food Service Fund were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

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.

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 completeness and availability.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. Districts with food service management companies are depositing and expending program monies in accordance with *N.J.S.A.18A:17-34*, and *19-1* through *19-4.1*. The appropriate revenue and expenditure records were maintained in order to substantiate the nonprofit status of the school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. No exceptions were noted.

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

Student Body Activities

Our review of the student activity funds were in satisfactory 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 handicapped and low-income, and bilingual. We also performed a review of the district's procedures related to its completion. The information on the ASSA 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.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Frank B. Holman, III
Certified Public Accountant
Public School Accountant, No. 783

Toms River, New Jersey
December 3, 2015

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ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS

OCEAN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2014

	2014-2015 Application for State School Aid				Sample for Verification				Resident Low Income				Sample for Verification	
	Reported on A.S.S.A. On Roll	Reported on Workpapers On Roll	Errors Shared	Full Shared	Sample Selected from Workpapers Full	Verified per Registers On Roll	Errors per Registers On Roll	Full Shared	Reported on A.S.S.A. as Low Income	Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application	Sample Errors
Special Ed - High School	16	650	16	650	2	81	2	81	249	249	-	79	79	-
Subtotal	16	650	16	650	2	81	2	81	249	249	-	79	79	-
Co. Voc.-Regular	514	995	514	995	52	114	52	114	374	374	-	118	118	-
Co. Voc.Ft.Post Sec.	728	-	728	-	46	-	46	-	-	-	-	-	-	-
Totals	1,258	1,645	1,258	1,645	100	195	100	195	623	623	-	197	197	-

Percentage Error

- - - - -

EXCESS SURPLUS CALCULATION

COUNTY VOCATIONAL DISTRICTS

SECTION 1

A. 6% Calculation of Excess Surplus (2014-2015 expenditures of \$100 million or less)

2014-2015 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>28,566,427</u> (B)
Increased by:	
Transfer to Food Service Fund	\$ _____ (B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1c)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>(2,332,111)</u> (B2a)
Assets Acquired Under Capital Leases:	\$ _____ (B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>26,234,316</u> (B3)
6% of adjusted 2014-2015 General Fund Expenditures [(B3) times .06]	\$ <u>1,574,059</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>1,574,059</u> (B5)
Increased by: Allowable Adjustment *	\$ _____ (K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u>1,574,059</u> (M)

B. 6% Calculation of Excess Surplus (2014-2015 expenditures greater than \$100 million)

2014-2015 Total General Fund Expenditures	\$ _____ (B)
Increased by:	
Transfer to Food Service Fund	\$ _____ (B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1c)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ _____ (B2a)
Assets Acquired Under Capital Leases:	\$ _____ (B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)-(B1s)-(B2s)]	\$ _____ (B3)
2014-2015 General Fund Expenditures in Excess of \$100 million [(B3) minus \$100,000,000]	\$ _____ (B4)
3% of General Fund Expenditures in excess of \$100 [(B4) times .03]	\$ _____ (B5)
(B5) Plus \$6,000,000	\$ _____ (B6)
Increased by: Allowable Adjustment *	\$ _____ (K)
Maximum Unassigned Fund Balance [(B6)+(K)]	\$ _____ (M)

COUNTY VOCATIONAL DISTRICTS (continued):

SECTION 2

Total General Fund - Fund Balances @ 06-30-2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>3,405,850</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>(953,862)</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ _____ (C3)
Other Restricted Fund Balances ****	\$ <u>(631,206)</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>(250,000)</u> (C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 \$ <u>1,570,782</u> (U)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U)-(M)] IF NEGATIVE ENTER -0-	\$ _____ - (E)
 <i>Recapitulation of Excess Surplus as of June 30, 2015</i>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	_____ - (C3)
Reserved Excess Surplus *** [(E)]	_____ - (E)
 Total [(C3) + (E)]	 ===== - (D)

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Unbudgeted TPAF Wage Freeze Grant Funding	\$ _____ (J3)
 Total Adjustments [(H)+(I)+J1)+(J2)]	 \$ _____ (K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2015 CAFR and Audit Summary Worksheet Line 10024.

COUNTY VOCATIONAL DISTRICTS (continued):

**** 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 another type of government such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance and Regulatory Compliance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ _____
Capital Outlay for a District With a Capital Outlay Cap Waiver	\$ _____
Sale/Lease-Back Reserve	\$ _____
Capital Reserve	\$ 96,206
Maintenance Reserve	\$ 535,000
Emergency Reserve	\$ _____
Waiver Offset Reserve	\$ _____
Tuition Reserve	\$ _____
Other State/Government Mandated Reserve	\$ _____
{Other Restricted Fund Balance Not Noted Above} ****	\$ _____
 Total Other Restricted Fund Balance	 \$ 631,206 (C4)