

BURLINGTON COUNTY SPECIAL SERVICES SCHOOL DISTRICT

Westampton, New Jersey
County of Burlington

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2016**

**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
Burlington County Special Services School District
County of Burlington
Westampton, New Jersey 08060

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of the Board of Education of the Burlington County Special Service School District in the County of Burlington for the year ended June 30, 2016, and have issued our report thereon dated November 9, 2016.

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 Burlington County Special Service 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.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
November 9, 2016

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Honorable President and Members
of the Board of Education
Burlington County Special Services School District
County of Burlington
Westampton, New Jersey 08060

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/Business Administrator and Treasurer of School Monies, the activities of the Burlington County Special Services School District, the records of the General Fund, Capital Projects Fund, Proprietary Funds and Account Groups under the auspices of the Burlington County Special Services School District.

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

The following positions were covered by Surety Bonds:

Name	Position	Amount
Theresa Margiotta	Board Secretary	\$100,000
Constance L. Stewart	Treasurer of School Monies	\$350,000
Ken Hill	Qualified Purchasing Agent	\$100,000

There is a Public Employees’ Faithful Performance Blanket Position Bond covering all employees with multiple coverage of \$50,000 per occurrence.

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 District were deposited in the Payroll Account. Employee's 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 the School Business Administrator/Board Secretary.

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 Treasurer of School Monies who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit, the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

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.6:20-2(M)* 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*. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary/Business Administrator's Records

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

***Finding 2016-001:**

It was noted during our audit that a general ledger for various funds, though kept and maintained by the District, was not maintained in accordance with GAAP.

Board Secretary/Business Administrator's Records (continued):

Recommendation:

It is recommended that the District maintain a balanced general ledger for all funds.

Finding 2016-002:

It was noted during our audit that the District is not properly recording Capital Asset additions and deletions throughout the fiscal year. In addition, the District is not properly recording annual depreciation.

Recommendation:

That the District implements internal controls to ensure Capital Asset additions, deletions and depreciation are recorded correctly in its records.

Finding 2016-003:

It was noted during our audit that the District's Education Services Unit Fund and Alternative Education Program Fund are operating at deficits on an annual basis.

Recommendation:

That the District budgets accordingly in order to fund operating deficits in the proprietary funds.

Treasurer's Records

The records maintained by the treasurer were found to be in satisfactory condition.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. Exhibit "H-2" sets forth the activity of this fund for the period under review.

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 Title I, II, III, IV and V of the Elementary and Secondary Education Act amended and reauthorized.

The study of compliance for E.S.E.A. indicated no areas of noncompliance.

Other Special Federal and/or State Projects

The Burlington County Special Services School 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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for Burlington County Special Services School District employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

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/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at:

http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

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 receipts of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:119) the board of education may establish that the bid threshold may be up to \$26,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this 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 N.J.S.18A:18A-2 (pending before the Legislature as section 50 of this bill), 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."

N.J.S.A.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 law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to *N.J.S.A.18A:18A-3* except by contract or agreement."

School Purchasing Programs (continued):

Contracts and Agreements Requiring Advertisement for Bids (continued):

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$18,800 for 2015-16. The Washington Township School District currently has a Qualified Purchasing Agent.

The district Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year (contract year for July 1, 2015 and thereafter). 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.

Based on the results of my examination, I 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 Fund

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

Student Body Activities

The student activity records were in satisfactory condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for On-Roll, private schools for the handicapped 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. 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 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. The bid specifications for the purchase of buses were in compliance with applicable statutes. 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 findings. The previous year audit findings have been corrected with exception to Findings 2016-001.

Review of OFAC Findings

Not applicable.

Acknowledgment

We received the complete cooperation of all the officials of the school Burlington County Special Services School District and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
November 9, 2016

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS

BURLINGTON COUNTY SPECIAL SERVICES SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15 2015

	2016-2017 Application for State School Aid						Sample for Verification									
	Reported on A.S.S.A.			Reported on Workpapers			Sample Selected			Verified Per Registers			Errors Per			
	On Roll	Shared	Full	On Roll	Shared	Full	Errors	Full	Shared	Full	On Roll	Shared	Full	Registers On Roll	Full	Shared
Seven	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Eight	1	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-
Nine	13	-	-	13	-	-	-	-	-	5	-	-	5	-	-	-
Ten	14	-	-	14	-	-	-	-	-	5	-	-	5	-	-	-
Eleven	15	-	-	15	-	-	-	-	-	5	-	-	5	-	-	-
Twelve	21	-	-	21	-	-	-	-	-	7	-	-	7	-	-	-
Subtotal	65	-	-	65	-	-	-	-	-	22	-	-	22	-	-	-
Sp Ed - Elementary	147	-	-	147	-	-	-	-	-	52	-	-	52	-	-	-
Sp Ed - Middle School	114	-	-	114	-	-	-	-	-	40	-	-	40	-	-	-
Sp Ed - High School	332	1	-	332	1	-	-	-	-	118	-	-	118	-	-	-
Subtotal	593	1	-	593	1	-	-	-	-	210	-	-	210	-	-	-
Totals	658	1	-	658	1	-	-	-	-	232	-	-	232	-	-	-
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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