

**CAPE MAY COUNTY SCHOOLS FOR SPECIAL SERVICES
BOARD OF EDUCATION
(A Component Unit of the County of Cape May)**

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

**FOR THE YEAR ENDED
JUNE 30, 2016**

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

| | Page |
|--|------|
| Independent Auditors' Report | 1 |
| Scope of Audit | 2 |
| Administrative Practices and Procedures | |
| Insurance | 2 |
| Official Bonds | 2 |
| Tuition Charges | 2 |
| Financial Planning, Accounting and Reporting | |
| Examination of Claims | 2 |
| Payroll Account and Position Control Roster | 2 |
| Reserve for Encumbrances and Accounts Payable | 3 |
| Classification of Expenditures | |
| General Classifications | 3 |
| Administrative Classifications | 3 |
| Board Secretary's Records | 3 |
| Treasurer's Records | 3 |
| Elementary and Secondary Education Act/Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001 | N/A |
| Other Special Federal and/or State Projects | 3 |
| T. P. A. F. Reimbursement | 3 |
| T.P.A.F. Reimbursement to the State for Federal Salary Expenditures | 3 |
| School Purchasing Programs | |
| Contracts and Agreements Requiring Advertisement for Bids | 3-4 |
| School Food Service | 4 |
| Student Body Activities | 5 |
| Application for State School Aid | 5 |
| Pupil Transportation | 5 |
| Facilities and Capital Assets | 5 |
| Miscellaneous | N/A |
| Follow-up on Prior Year Findings | 5 |
| Acknowledgment | 5 |
| Schedule of Meal Count Activity | N/A |
| Net Cash Resource Schedule | N/A |
| Schedule of Audited Enrollments | 6-7 |
| Excess Surplus Calculation | N/A |



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Cape May County Schools for Special Services
(a component unit of the County of Cape May)
County of Cape May, 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 Cape May County Schools for Special Services (a component unit of the County of Cape May) in the County of Cape May for the year ended June 30, 2016, and have issued our report thereon dated November 15, 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 management of the Cape May County Schools for Special Services (a component unit of the County of Cape May), the New Jersey Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates, L.L.C.
Ford, Scott & Associates, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

Leon P. Costello
Certified Public Accountant
Licensed Public School Accountant
No. 767

November 15, 2016

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

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

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the district's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|-------------------|---|---------------|
| Lewis J. Mawson | Treasurer | \$200,000 |
| Kathleen M. Allen | Board Secretary/School Business Administrator | \$2,000 |

There is a Public Employees' Faithful Performance Position Blanket Bond during the period under review with the New Jersey School Boards Association Insurance Group for \$250,000.

The Treasurer of school moneys was bonded in accordance with provisions of Title 18A:17-32 above minimum limits per State Board promulgated schedule.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than the estimated costs. The Board made adjustments to the billings to sending districts for decreases in per pupil costs 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 review found no discrepancies with respect to signatures, certification or supporting documentation in the general account.

Payroll Account and Position Control Roster

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 remitted to the proper agencies, including health benefits withholding 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 withholding.

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. No exceptions were noted.

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. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator/Board Secretary's Records

Our review of the financial and accounting records of the Business Administrator/Board Secretary found them to be in satisfactory condition.

Treasurer's Records

The Board Treasurer's records were in satisfactory condition.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on the Schedule A and Schedule B located in the CAFR.

Our audit of federal and state funds 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.

TPAF Reimbursement

Our audit procedures included a test of the biweekly reimbursements electronically filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to the State for Federal Grant Salary Expenditures

The amount of the expenditures 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 were made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

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 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 currently \$18,800.

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.

Based on the results of my examination indicated that there were no 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 services were maintained in satisfactory condition. Accurate daily sales records by meal category were maintained during the year. 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.

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. 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.

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 and meals claimed agreed to the meal count records as detailed on the Schedule of Meal Count Activity.

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. 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.

USDA Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The Food Service Enterprise Fund has a deficit in unrestricted net position related to operations of \$72,468 as of June 30, 2016. This deficit must be addressed by the Board.

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

Other Enterprise Funds

Our audit of the Itinerant Services Fund, Transportation Fund, Day Care Program, Alternative Education Program, Extended School Year Program, Community Use, Shop Rite, and Over 21 Program noted no exceptions.

Student Body Activities

During our review of the student activity funds, no exceptions were noted for the Alternative High School and the Ocean Academy Activities Funds.

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, low income, and bilingual. We also performed a review of the District procedures related to its completion. The information that was included on the workpapers was verified with no exceptions. 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 contracts for the Transportation Shared Services Fund. No exceptions were noted.

Facilities and Capital Assets

Our procedures included tests of the District's Capital Assets. No exceptions were noted.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no findings in the prior year.

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.

CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

| | 2016-2017 Application for State School Aid | | | | Sample for Verification | | | | Private Schools for Disabled | | | | | |
|----------------------------|--|--------|--------------------|--------|---------------------------------|--------|--------------------------------|--------|------------------------------|--------|---------------------------------------|--------|---------------------|--------|
| | Reported on A.S.A. On Roll | | Workpapers On Roll | | Sample Selected from Workpapers | | Verified per Registers On Roll | | Errors per Registers On Roll | | Reported on A.S.A. as Private Schools | | Sample Verification | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared |
| Half Day Preschool | | | | | | | | | | | | | | |
| Full Day Preschool | | | | | | | | | | | | | | |
| Half Day Kindergarten | | | | | | | | | | | | | | |
| Full Day Kindergarten | | | | | | | | | | | | | | |
| One | | | | | | | | | | | | | | |
| Two | | | | | | | | | | | | | | |
| Three | | | | | | | | | | | | | | |
| Four | | | | | | | | | | | | | | |
| Five | | | | | | | | | | | | | | |
| Six | | | | | | | | | | | | | | |
| Seven | | | | | | | | | | | | | | |
| Eight | | | | | | | | | | | | | | |
| Nine | | | | | | | | | | | | | | |
| Ten | | | | | | | | | | | | | | |
| Eleven | | | | | | | | | | | | | | |
| Twelve | | | | | | | | | | | | | | |
| Post-Graduate | | | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | | | |
| Adult H.S. (1-14+CR.) | | | | | | | | | | | | | | |
| Subtotal | 16 | - | 16 | - | 9 | - | 9 | - | - | - | - | - | - | - |
| Special Ed - Elementary | 75 | | 75 | | 43 | | 43 | | - | | - | | - | |
| Special Ed - Middle School | 38 | | 38 | | 22 | | 22 | | - | | - | | - | |
| Special Ed - High School | 96 | 11 | 96 | 11 | 55 | 7 | 55 | 7 | - | - | - | - | - | - |
| Subtotal | 209 | 11 | 209 | 11 | 120 | 7 | 120 | 7 | - | - | - | - | - | - |
| Co. Voc. - Regular | | | | | | | | | | | | | | |
| Co. Voc. - FT Post Sec. | | | | | | | | | | | | | | |
| Totals | 225 | 11 | 225 | 11 | 129 | 7 | 129 | 7 | - | - | - | - | - | - |
| Percentage Error | | | | | | | | | 0.00% | | 0.00% | | 0.00% | 0.00% |

**CAPE MAY COUNTY SPECIAL SERVICES SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

| | 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 LEP Low Income | Errors | Sample Selected from Workpapers | Verified to Application, Score, Register | Sample Errors |
| Half Day Preschool | | | | | | | | | | | | |
| Full Day Preschool | | | | | | | | | | | | |
| Half Day Kindergarten | | | | | | | | | | | | |
| Full Day Kindergarten | | | | | | | | | | | | |
| One | | | | | | | | | | | | |
| Two | | | | | | | | | | | | |
| Three | | | | | | | | | | | | |
| Four | | | | | | | | | | | | |
| Five | | | | | | | | | | | | |
| Six | | | | | | | | | | | | |
| Seven | | | | | | | | | | | | |
| Eight | | | | | | | | | | | | |
| Nine | | 1 | - | 1 | 1 | - | | | | | | |
| Ten | | 2 | - | - | 1 | - | | | | | | |
| Eleven | | 3 | - | 2 | 2 | - | | | | | | |
| Twelve | | | | | | | | | | | | |
| Post-Graduate | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | |
| Adult H.S. (1-14+CR.) | | | | | | | | | | | | |
| Subtotal | 6 | 6 | - | 4 | 4 | - | | | | | | |
| Special Ed - Elementary | 41 | 41 | - | 28 | 28 | - | | | | | | |
| Special Ed - Middle School | 17 | 17 | - | 12 | 12 | - | | | | | | |
| Special Ed - High School | 49 | 49 | - | 33 | 33 | - | | | | | | |
| Subtotal | 107 | 107 | - | 73 | 73 | - | | | | | | |
| Totals | 113 | 113 | 0.00% | 77 | 77 | 0.00% | | | | | | 0.00% |

Transportation

| Reported on DRTRS by DOE/Country | Reported on DRTRS by District | Errors | Tested | Verified | Errors |
|----------------------------------|-------------------------------|--------|--------|----------|---------|
| - | - | - | - | - | - |
| Totals | - | - | - | - | - |
| | | | | | #DIV/0! |

Reg Avg. (Mileage) = Regular Including Grade PK Students (Part A)
 Reg Avg. (Mileage) = Regular Excluding Grade PK Students (Part A)
 Spec Avg. = Special Ed with Special Needs (Part B)

Reported Recalculated

Reg. - Public Schools, col. 1
 Reg. - Sp Ed, col. 4
 Transported - Non-Public, col. 3
 All
 Special Ed Spec, col. 6
 Totals
 Percentage Error