

**EDUCATIONAL INFORMATION AND
RESOURCE CENTER**

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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



EDUCATIONAL INFORMATION AND RESOURCE CENTER
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

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**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

Honorable Chairman and
Members of the Board of Directors
Educational Information and Resource Center
200 College Drive
Blackwood, NJ 08012

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 Educational Information and Resource Center, as of and for the fiscal year ended June 30, 2016, which were separately issued in the Comprehensive Annual Financial Report dated February 14, 2017.

As part of our audit, we also performed procedures required by the Division of Administration and 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 issued in conjunction with the Comprehensive Annual Financial Report of the Educational Information and Resource Center for the fiscal year ended June 30, 2016, and is intended for the information of the Center's management and the Division of Administration and Finance, Department of Education, State of New Jersey, and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Carol A. McAllister
Certified Public Accountant
Public School Accountant No. CS 238400

Voorhees, New Jersey
February 14, 2017

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**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 Directors, and the records of the various funds under the auspices of the Board of Directors.

ADMINISTRATIVE PRACTICES AND PROCEDURES**Insurance**

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the School District's Comprehensive Annual Financial Report (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>
Stephen H. Hoffman	Board Secretary / School Business Administrator / Finance Officer	\$ 100,000.00
Charles Owens	Treasurer of School Moneys	\$ 100,000.00

There is a Public Employees' Dishonesty Coverage Policy with New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$150,000.00.

Finding No. 2016-004**Condition**

The Center did not maintain adequate surety bond coverage for the Business Administrator/Finance Officer and Treasurer of School Moneys for fiscal year 2016 as required per N.J.S.A. 18A:17-32 and N.J.A.C. 6A:23A-16.4.

Recommendation

That the Center's surety bond is updated to provide adequate coverage.

Tuition Charges

N/A – The Center does not have students and does not have tuition charges.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING**Examination of Claims**

Sampled claims paid during the fiscal year under audit indicated the following reportable noncompliance with respect to signatures, certification, or supporting documentation.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Examination of Claims (Cont'd)

Finding No. 2016-006

Condition

During our examination of the Center's cash disbursements and purchase orders, the following were noted: (1) expenditures charged to both EIRC and the Foundation are not posted correctly to the interfunds; (2) multiple purchase orders did not have proper supporting documentation attached or the amount listed within the supporting documentation did not agree to the amount paid per purchase order or general ledger; (3) in one instance the Center reimbursed travel expenses of a consultant without a signed contract or Board approval; (4) there were multiple instances where the invoice was dated before the purchase order; (5) there were several expenditures for items that are not allowable such as alcohol, gifts for Board members, flowers for funerals, donations, and cash prize giveaways; (6) employee expense reimbursements are not reviewed by department heads and are subsequently approved by finance and paid without verifying the amount listed on the attached receipts agrees to the request; (7) sales tax is being paid on credit card transactions and is reimbursed in employees' expense reimbursements; (8) several purchase orders classified as accounts payable are not liquidated within 90 days; (9) multiple purchase orders could not be located during testing; and (10) there were several expenditure transactions that were not recorded in the proper fiscal year.

Recommendation

That adequate internal control policies and procedures are developed and implemented to ensure that expenditures have proper supporting documentation and are filed properly, and that adequate documentation is accurately and completely maintained and posted to the general ledger in the proper period. Account reconciliations should be prepared in a timely manner to ensure all activity is recorded in the proper period.

Payroll Account

The net salaries of sampled employees of the Center were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

Sampled payrolls were approved by the Executive Director and were certified by the President of the Board and the Board Secretary / School Business Administrator.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Board Secretary / School Business Administrator who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated that it was in satisfactory condition and was approved by the county office submission with the 2015-2016 budget review checklist.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample indicated several instances of reportable noncompliance with respect to classification of orders as included in Finding 2016-006 described in the Examination of Claims section.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Travel

A sample of travel expenditures during the fiscal year under audit indicated the following instances reportable noncompliance:

Finding No. 2016-008

Condition

During our examination of the Center's employee expense reimbursements, the following were noted: (1) several reimbursements for mileage did not include a copy of the mileage from an on-line provider which is required per the policy; (2) meal reimbursements exceed the daily allowances; (3) sales tax is being reimbursed; (4) in some instances detailed receipts are not attached; (5) meal charges for multiple employees are included on one reimbursement – each employee should prepare their own request; (6) reimbursements for snack purchases which is not included in the policy; (7) expense reimbursements are not being thoroughly reviewed by finance prior to payment and in some instances the supporting receipt documentation did not tie to the request; and (8) reimbursements for travel accommodations are not pre-approved by the Executive Director as required for overnight travel per the policy.

Recommendation

That the Center implements internal control policies and procedures to ensure compliance with the travel authorization and reimbursement policy.

Classification of Expenditures

N/A – The Center does not have students and does not have separate administrative coding of expenditures.

Board Secretary's Records

Our audit of the financial and accounting records maintained by the Board Secretary indicated that there were several improvements that were needed to the records so that they would be in satisfactory condition.

Finding No. 2016-001

Condition

During our examination of the Center's general ledgers and subsidiary records, the following were noted: (1) the cash balance in the general ledger did not agree to the bank reconciliations and the Treasurer's records; (2) accounts receivable and accounts payable per the subsidiary records did not agree to the balance in the general ledger; (3) numerous revenue and expense transactions between funds and with the Educational Information and Resource Center Foundation that occurred during the year were not recorded in the general ledger.

Recommendation

That adequate internal control policies and procedures are developed and implemented to ensure the general ledger and corresponding subsidiary ledgers for all funds are accurately and completely maintained. That the Center review and verify on a monthly basis that all account reconciliations agree to the account balances in the general ledger and all cash and non-cash activity is properly recorded in the general ledger.

Finding No. 2016-002

Condition

The following internal control deficiencies were noted during our audit analysis and testing procedures: (1) general ledger accounts are not reconciled to the subsidiary ledgers on a monthly basis; (2) the Board and management does not promptly review reconciliations that are prepared; (3) receipts and expenses for grants are not reconciled to the general ledger and/or to the grant financial reports; (4) checks are approved by the Board subsequent to their issue date, except the small check run which is authorized to be approved by the finance officer and not included in the Board minutes; (5) the Board Secretary Report is not completed on a monthly basis and submitted to the Board; and (6) there are six audit findings repeated from the prior year audit for items that have not been addressed or corrected.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Board Secretary's Records (Cont'd)

Recommendation

That the Center establish, implement and follow internal control policies and procedures that require reconciliation of accounts to detail records and require review and approval of activity and transactions.

Finding No. 2016-003

Condition

During our examination of the budget we noted the accounting entries for transfers comingled the approved transfers with the original budget amounts.

Recommendation

That the budgetary line item transfers be recorded in such a manner to enable the creation of the required current month and year-to-date transfer report.

Finding No. 2016-007

Condition

During our examination of the Center's cash receipts and billing records, the following were noted: (1) several receipts were not deposited timely; (2) several receipts did not have documentation to support the date of the receipt; (3) reports are not maintained that adequately document billings for services; (4) invoices and bills are created in the billing module, but not timely posted in the general ledger module of the financial accounting system; (5) several transactions were posted to the incorrect project ID; and (6) there were several revenue transactions that were not recorded in the proper fiscal year.

Recommendation

That adequate internal control policies and procedures are developed and implemented to ensure that receipts are deposited timely, that adequate documentation is accurately and completely maintained and posted to the general ledger in the proper period. Account reconciliations should be prepared in a timely manner to ensure all activity is recorded in the proper period.

Treasurer of School Moneys' Records

Our audit of the financial and accounting records maintained by the Treasurer of School Moneys indicated that they were 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 (N.C.L.B.) of 2001

N/A - The Center did not receive any funding under these programs.

Other Special Federal and / or State Projects

The Center's other 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 sample 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 within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned other special projects.

Other Special Federal and / or State Projects (Cont'd)

The audit of compliance for other special projects indicated the following reportable instances of noncompliance:

Finding No. 2016-009

Information on the State Program

State Department of Children and Families (DCF)

Division of Child Protection and Permanency (DCPP)

Child Abuse Prevention GMIS No. 16-100-016-1630-013

Contract Number 16BTHS

Condition

The Center did not submit Quarterly Expenditure Reports from 7/1/2015 to 6/30/2016 as required in the grant contract.

Recommendation

That the Center develop procedures to ensure complete and accurate reporting of grant expenditures on a timely basis as required by the grantor agencies.

T.P.A.F. Reimbursement

Our audit procedures included a sample of the biweekly reimbursements filed with the Department of Education for Center 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 for all federal awards for the Center to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Center for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management and N.J.S.A. 18A:66-90. The expenditure was inspected subsequent to the reimbursement and 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 the school contracts in general, are available on the following 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&oftpage=TOC_Frame_Pg42

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (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 \$18,800.00 for 2015-16.

The Center's Board of Directors 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 our audit, we noted several 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, amended.

28451

SCHOOL PURCHASING PROGRAMS (CONT'D)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

Resolutions were not adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

Finding No. 2016-005

Condition

The Center did not comply with purchasing, bids, quotations, joint purchasing and state contracts guidance provided by NJSA 18A:18A-1 et seq., Public School Contracts Law, Joint Purchasing Contracts Law and New Jersey Pay to Play Laws.

Recommendation

That the Center implements internal control policies and procedures to ensure compliance with purchasing, bids, quotations, joint purchasing and state contracts guidance provided by NJSA 18A:18A-1 et seq., Public School Contracts Law, Joint Purchasing Contracts Law and NJ Pay to Play Laws.

SCHOOL FOOD SERVICE

N/A – The Center does not have students and does not have a Food Service Program.

STUDENT BODY ACTIVITIES

N/A – The Center does not have students and does not have a Student Activity Program.

APPLICATION FOR STATE SCHOOL AID

N/A – The Center does not have students and does not have to complete the Application for State School Aid.

PUPIL TRANSPORTATION

N/A – The Center does not have students and therefore does not have a Pupil Transportation.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

MISCELLANEOUS

Continuing Disclosure Agreements

Not applicable - no outstanding bonds.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action had been taken on two prior year finding and the remaining findings are repeated in this year's recommendations noted as current year finding(s) 2016-001, 2016-002, 2016-003, 2016-005, 2016-006, and 2016-007:

FINANCIAL STATEMENT FINDINGS

Finding No. 2015-001

Condition

During our examination of the Center's general ledgers and subsidiary records, the following were noted: (1) the opening general ledger balances did not reconcile to the prior year audit balances; (2) the cash balance in the general ledger did not agree to the bank reconciliations and the Treasurer's records; (3) accounts receivable and accounts payable per the subsidiary records did not agree to the balance in the general ledger; (4) numerous revenue and expense transactions between funds and with the Educational Information and Resource Center Foundation that occurred during the year were not recorded in the general ledger.

Current Status

Item (1) has been cleared. Items (2) through (4) have not been cleared. (See Finding No. 2016-001)

Planned Corrective Action

Procedures continue to be developed by the Center to address this condition.

Finding No. 2015-002

Condition

The following internal control deficiencies were noted during our audit analysis and testing procedures: (1) general ledger accounts are not reconciled to the subsidiary ledgers on a monthly basis; (2) the Board and management does not review reconciliations that are prepared; (3) receipts and expenses for grants are not reconciled to the general ledger and/or to the grant financial reports; (4) checks are approved by the Board subsequent to their issue date, except the small check run which is authorized to be approved by the finance officer and not included in the Board minutes; (5) the Board Secretary Report is not completed on a monthly basis and submitted to the Board; and (6) there are four audit findings repeated from the prior year audit for items that have not been addressed or corrected.

Current Status

This condition remains for the fiscal year ended June 30, 2016. (See Finding No. 2016-002)

Planned Corrective Action

Procedures continue to be developed by the Center to address this condition.

Finding No. 2015-003

Condition

Proper supporting documentation was not maintained for all journal entries recorded in the general ledger.

Current Status

Corrective action has been taken.

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FOLLOW-UP ON PRIOR YEAR'S FINDINGS (CONT'D)

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2015-004

Condition

During our examination of the budget we noted the accounting entries for transfers comingled the approved transfers with the original budget amounts.

Current Status

This condition remains for the fiscal year ended June 30, 2016. (See Finding No. 2016-003)

Planned Corrective Action

Procedures continue to be developed by the Center to address this condition.

Finding No. 2015-005

Condition

There were several expenditures noted during our testing of transactions that were not recorded in the proper fiscal year.

Current Status

This condition remains for the fiscal year ended June 30, 2016. (See Finding No. 2016-006)

Planned Corrective Action

Procedures continue to be developed by the Center to address this condition.

Finding No. 2015-006

Condition

The Center did not comply with purchasing, bids, quotations, joint purchasing and state contracts guidance provided by NJSA 18A:18A-1 et seq., Public School Contracts Law and Joint Purchasing Contracts Law.

Current Status

This condition remains for the fiscal year ended June 30, 2016. (See Finding No. 2016-005)

Planned Corrective Action

Procedures continue to be developed by the Center to address this condition.

Finding No. 2015-007

Condition

During our examination of the Center's cash receipts and billing records, the following were noted: (1) several receipts were not deposited timely; (2) several receipts did not have documentation to support the date of the receipt; (3) reports are not maintained that adequately document billings for services; (4) invoices and bills are created in the billing module, but not timely posted in the general ledger module of the financial accounting system; and (5) there were several revenue transactions that were not recorded in the proper fiscal year.

Current Status

This condition remains for the fiscal year ended June 30, 2016. (See Finding No. 2016-007)

Planned Corrective Action

Procedures continue to be developed by the Center to address this condition.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS (CONT'D)

FINANCIAL STATEMENT FINDINGS (CONT'D)

Finding No. 2015-008

Condition

The Center did not maintain records that supported the calculated amount for the employer's costs of TPAF/FICA payments which is reimbursed by a federal grant and owed to the State of New Jersey and did not record the amount in the proper fiscal year.

Current Status

Corrective action has been taken.

ACKNOWLEDGMENT

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

Respectfully submitted,



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