

**OLD TAPPAN BOARD OF EDUCATION
INDEPENDENT AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**OLD TAPPAN BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INDEPENDENT AUDITOR'S MANAGEMENT REPORT


Honorable President and Members
of the Board of Trustees
Old Tappan Board of Education
Old Tappan, 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 Old Tappan Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 2, 2016.

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


Gary J. Vinci
Public School Accountant
PSA Number CR00829

Fair Lawn, New Jersey
November 2, 2016

**OLD TAPPAN BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 (Exhibit J-20) as reported in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Douglas Barrett, CPA	Board Secretary/School Business Administrator	\$ 25,000
Antoinette Kelly	Treasurer of School Monies	250,000

There is an Employee Dishonesty coverage of \$100,000 with NESBIG.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to each signatures, certifications and proper itemization.

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

Salary withholdings were promptly remitted to proper agencies, including employee health benefit premium contributions due to the General Fund. The District completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

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

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 NJAC 6A:23A-8.3. As a result of the procedures performed, no errors were noted.

**OLD TAPPAN BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchased 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 reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Travel

The Board adopted a policy in compliance with New Jersey Statutes and Administrative Code and the Office of Management and Budget Circulars.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in excellent condition.

The prescribed contractual order system was followed.

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

Treasurer's Records

The Treasurer performed cash reconciliations for the general operating, payroll account and payroll agency account (N.J.S.A 18A:17-36). The Treasurer's records were in agreement with the records of the Board Secretary.

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 District's Fiduciary Trust Funds.

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

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title III of the Elementary and Secondary Education Act, as amended.

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 in the Special Revenue section of the CAFR. This section of the CAFR reports the financial position pertaining to the aforementioned special projects.

**OLD TAPPAN BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Salaries and wages were not charged to the Special Revenue Fund federal grants. Thus, the Board is not required to submit a TPAF/FICA payment to the State.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3 are \$40,000 (with a qualifying purchasing agent) and \$29,000 (without a qualifying 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 appointed the School Business Administrator as a qualified purchasing agent. The Board of Education has adopted a resolution increasing the bid threshold to \$40,000.

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 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.

The results of our examination revealed no instances where the individual payments, contracts, or agreements were 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, as amended.

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.

Food Service Fund

The School Food Service Program has not been audited as a major program and has not expended \$100,000 or more in Federal support.

The financial transactions and statistical records of the school food service fund were maintained in good condition. The financial accounts and eligibility applications were reviewed on a test-check basis.

Expenditures were separately recorded as milk, labor and other costs. Vendor invoices were reviewed and costs verified. 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.

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

**OLD TAPPAN BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Student Activity Fund

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

Cash receipts and disbursements records for the elementary schools were maintained in good condition.

Cash disbursements tested had proper supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (ASSA) for on-roll, private school for the handicapped, bilingual students and low-income. We also performed a review of the district 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 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 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an isolated exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Suggestions to Management

- The available Local Projects balances in the Special Revenue Fund be reviewed and cleared of record.

**OLD TAPPAN BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY AND (OVER)/UNDERCLAIM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**FOOD SERVICE FUND
COMPARISON OF NET CASH RESOURCES TO AVERAGE EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

OLD TAPPAN BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS

	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 ASSA	Reported on Workpapers	Errors	Sample Selected	Verified to Test Score and Register	Errors
Full Day Preschool - 3 years												
Full Day Preschool - 4 years												
Full Day Kindergarten												
GRADE 1												
GRADE 2												
GRADE 3												
GRADE 4												
GRADE 5												
GRADE 6												
GRADE 7	1.0	1.0		1.0	1.0							
GRADE 8				-								
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Spec Ed - Elementary												
Spec Ed- Middle School												
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>1.0</u>	<u>1.0</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	35	35	-	28	28	-
Regular - Sped.	4	4	-	15	15	-
Transported- Non- Public	19	19	-	3	2	1.0
Special Needs- Public	13.0	13.0	-	9.0	9.0	-
Totals	<u>71.0</u>	<u>71.0</u>	<u>-</u>	<u>55.0</u>	<u>54.0</u>	<u>1.0</u>
Percentage Error			<u>0.00%</u>			<u>1.82%</u>

**OLD TAPPAN BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Preschool - 3 years						
Full Day Preschool - 4 years						
Full Day Kindergarten						
GRADE 1	2.0	2.0		2.0	2.0	
GRADE 2	2.0	2.0		2.0	2.0	
GRADE 3	3.0	3.0		3.0	3.0	
GRADE 4	1.0	1.0		1.0	1.0	
GRADE 5	2.0	2.0		2.0	2.0	
GRADE 6	1.0	1.0		1.0	1.0	
GRADE 7	3.0	3.0		3.0	3.0	
GRADE 8	3.0	3.0		3.0	3.0	
	<u>17</u>	<u>17</u>		<u>17</u>	<u>17</u>	
Subtotal						
Spec Ed - Elementary						
Spec Ed - Middle School						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>17</u>	<u>17</u>	<u>-</u>	<u>17</u>	<u>17</u>	<u>-</u>
Percentage Error		<u>0.00%</u>			<u>0.00%</u>	

**OLD TAPPAN BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION**

2015-2016 Total General Fund Expenditures per the CAFR (Exhibit C-1)		\$ 14,080,857
Decreased by:		
On-Behalf TPAF Pension & Social Security		1,492,492
Adjusted 2015-2016 General Fund Expenditures		\$ 12,588,365
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 251,767
Greater of 2% of Adjusted Expenditures or \$250,000		\$ 251,767
Increased by:		
Allowable Adjustments		
Extraordinary Aid - Unbudgeted		155,444
Nonpublic Transportation Reimbursement		3,973
Maximum Unreserved/Undesignated Fund Balance		\$ 411,184
Total General Fund - Budgetary Fund Balances, June 30, 2016		\$ 12,030,882
Decreased by:		
Capital Reserve	\$ 6,952,188	
Maintenance Reserve	715,950	
Emergency Reserve	250,000	
Excess Surplus-Designated for Subsequent Year's Budget	1,778,871	
Encumbrances	300,484	
		9,997,493
Total Unassigned Fund Balance		\$ 2,033,389
Restricted Fund Balance - Excess Surplus		\$ 1,622,205
 <u>Recapitulation of Excess Surplus as of June 30, 2016</u>		
Excess Surplus - Designated for Subsequent Year's Budget		\$ 1,778,871
Excess Surplus		1,622,205
Total Excess Surplus		\$ 3,401,076

**OLD TAPPAN BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are one.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Year Audit Findings/Recommendations

There are none.

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



Gary J. Vinci
Public School Accountant
Certified Public Accountant