

**WALLINGTON BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**WALLINGTON BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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LERCH, VINCI & HIGGINS, LLP

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Honorable President and Members
of the Board of Trustees
Wallington Board of Education
Wallington, 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 Wallington Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 22, 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 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.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
September 22, 2016

**WALLINGTON 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 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 Statistical Section of the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Joseph Brunacki III	Board Secretary/School Business Administrator	\$500,000
William L. Mendyk	Treasurer of School Monies	250,000

There is an employee blanket dishonesty bond, including faithful performance for elected officials with coverage of \$500,000 per loss.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed no discrepancies with respect to signatures, certification or supporting documentation.

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/School Business Administrator and Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium withholdings due to the General Fund.

Finding – Employee health benefit contributions were calculated based upon contract terms which awarded raises in 18 month intervals versus annually as required by Chapter 78 of the Public Laws of 2011.

Recommendation – Employee contributions toward health benefits be calculated and withheld in accordance with Chapter 78 of the Public Laws of 2011.

The required certification (ECERT1) of compliance with requirements for income tax on compensation of administrators to the New Jersey Department was filed by the March 15 due date.

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

**WALLINGTON 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 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:23-2.2(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 and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The records of the Board Secretary and Treasurer were in agreement.

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

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating account and payroll accounts.

The Treasurer's records were in agreement with the records of the Board Secretary.

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

The E.S.E.A. 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 Titles I, IIA, and III of the Elementary and Secondary Education Act, as amended, and reauthorized.

Our examination of the Federal 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.

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 single audit section of the CAFR.

Our examination 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 within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

**WALLINGTON 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 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 reimbursement to the State for the amount of the expenditure charged to the current year's Final Report for all federal awards for the school district to reimburse the State for 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 subsequent to the end of the 60 day grant liquidation period required by the Office of Grants Management and also subsequent to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reflected in the current year's final report for all federal awards.

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* and *18A:18A-3(a)* are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The District's Business Administrator is qualified and the bid threshold of \$40,000 has been established by Board resolution. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is currently \$18,800.

The district 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.

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*, amended.

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 school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

Student Body Activities

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

Cash receipts and disbursements records were maintained and bank reconciliations were performed.

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 on the A.S.S.A. was compared to the district workpapers 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 audit procedures included a test of on-roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary without exception. The results of our procedures are presented in the Schedule of Audited enrollments.

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. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the School Development Authority (SDA) grant agreements for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve, and awarding of contracts for eligible facilities construction.

**WALLINGTON BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**WALLINGTON BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2015**

	2016-2017 Application for State School Aid						Sample for Verification						On Roll - Special Education			Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Sample for Veri- fication	Sample Verified	Sample Errors	Reported on A.S.S.A. as Private Schools	Sample for Veri- fication	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared							
Half Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	105	-	105	-	-	-	77	-	77	-	-	-	-	-	-	-	-	-	-
1st Grade	122	-	122	-	-	-	97	-	97	-	-	-	-	-	-	-	-	-	-
2nd Grade	105	-	105	-	-	-	80	-	80	-	-	-	-	-	-	-	-	-	-
3rd Grade	88	-	88	-	-	-	44	-	44	-	-	-	-	-	-	-	-	-	-
4th Grade	103	-	103	-	-	-	103	-	103	-	-	-	-	-	-	-	-	-	-
5th Grade	80	-	80	-	-	-	80	-	80	-	-	-	-	-	-	-	-	-	-
6th Grade	90	-	90	-	-	-	90	-	90	-	-	-	-	-	-	-	-	-	-
7th Grade	86	-	86	-	-	-	86	-	86	-	-	-	-	-	-	-	-	-	-
8th Grade	90	-	90	-	-	-	90	-	90	-	-	-	-	-	-	-	-	-	-
9th Grade	72	-	72	-	-	-	72	-	72	-	-	-	-	-	-	-	-	-	-
10th Grade	62	2	62	2	-	-	62	2	62	2	-	-	-	-	-	-	-	-	-
11th Grade	78	1	78	1	-	-	78	1	78	1	-	-	-	-	-	-	-	-	-
12th Grade	82	-	82	-	-	-	82	-	82	-	-	-	-	-	-	-	-	-	-
Subtotal	1,163	3	1,163	3	-	-	1,041	3	1,041	3	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	50	-	50	-	-	-	12	-	12	-	-	-	9.0	9.0	-	-	-	-	-
Spec Ed - Middle School	35	-	35	-	-	-	16	-	16	-	-	-	7.0	7.0	-	1	1	1	-
Spec Ed - High School	44	1	44	1	-	-	44	1	44	1	-	-	8.0	8.0	-	4	4	4	-
Subtotal	129	1	129	1	-	-	72	1	72	1	-	-	24.0	24.0	-	5	5	5	-
Totals	1,292	4	1,292	4	-	-	1,113	4	1,113	4	-	-	24.0	24.0	-	5	5	5	-
Percentage Error	<u><u>0.00%</u></u>						<u><u>0.00%</u></u>						<u><u>0.00%</u></u>			<u><u>0.00%</u></u>			

**WALLINGTON BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	39.0	39.0	-	2.0	2.0	-	7	7	-	10	10	-
1st Grade	36.0	36.0	-	2.0	2.0	-	7	7	-	3	3	-
2nd Grade	41.0	41.0	-	2.0	2.0	-	7	7	-	1	1	-
3rd Grade	31.0	31.0	-	2.0	2.0	-	1	1	-	1	1	-
4th Grade	34.0	34.0	-	2.0	2.0	-	1	1	-	2	2	-
5th Grade	31.0	31.0	-	2.0	2.0	-	1	1	-	1	1	-
6th Grade	24.0	24.0	-	1.0	1.0	-	1	1	-	2	2	-
7th Grade	33.0	33.0	-	2.0	2.0	-	3	3	-	2	2	-
8th Grade	28.0	28.0	-	2.0	2.0	-	4	4	-	2	2	-
9th Grade	22.0	22.0	-	1.0	1.0	-	-	-	-	2	2	-
10th Grade	22.5	22.5	-	1.0	1.0	-	4	4	-	2	2	-
11th Grade	25.0	25.0	-	2.0	2.0	-	1	1	-	1	1	-
12th Grade	26.0	26.0	-	2.0	2.0	-	1	1	-	3	3	-
Subtotal	392.5	392.5	-	23	23	-	38	38	-	32	32	-
Spec Ed - Elementary	42.0	42.0	-	2	2	-	-	-	-	-	-	-
Spec Ed - Middle School	21.0	21.0	-	1	1	-	-	-	-	-	-	-
Spec Ed - High School	19.0	19.0	-	1	1	-	-	-	-	-	-	-
Subtotal	82.0	82.0	-	4	4	-	-	-	-	-	-	-
Totals	474.5	474.5	-	27	27	-	38	38	-	32	32	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	32.0	32.0	-	10.0	10.0	-
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	2.0	2.0	-	1.0	1.0	-
Special Needs - Public	39.0	39.0	-	13.0	13.0	-
Totals	73.0	73.0	-	24.0	24.0	-
			<u>0.00%</u>			<u>0.00%</u>

**WALLINGTON BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2015**

	Resident LEP Not 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 Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	7	7	-	7	7	-
1st Grade	7	7	-	7	7	-
2nd Grade	7	7	-	7	7	-
3rd Grade	1	1	-	1	1	-
4th Grade	1	1	-	1	1	-
5th Grade	1	1	-	1	1	-
6th Grade	1	1	-	1	1	-
7th Grade	3	3	-	3	3	-
8th Grade	4	4	-	4	4	-
9th Grade	-	-	-	-	-	-
10th Grade	4	4	-	4	4	-
11th Grade	1	1	-	1	1	-
12th Grade	1	1	-	1	1	-
Subtotal	38	38	-	38	38	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	38	38	-	38	38	-
Percentage Error		<u>0.00%</u>			<u>0.00%</u>	

**WALLINGTON BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1

A. - 2% Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1		\$ 20,664,505
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ (1,852,421)	
Assets Acquired through Insurance Recovery	(30,000)	
	(1,882,421)	(1,882,421)
Adjusted 2015-2016 General Fund Expenditures		\$ 18,782,084
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 375,642
Enter Greater of 2% or \$250,000		\$ 375,642
Allowable Adjustment - Extraordinary Aid		\$ 70,003
Maximum Unassigned Fund Balance		\$ 445,645

SECTION 2

Total General Fund - Fund Balances at June 30, 2016		\$ 2,210,843
Decreased by:		
Year End Encumbrances	\$ 57,364	
Restricted for Capital Reserve	147,289	
Restricted - Excess Surplus Designated for Subsequent Year's Expenditures	745,190	
Assigned, ARRA/SEMI-Designated for Subsequent Year's Expenditures	4,840	
Assigned, Designated for Subsequent Year's Expenditures	23,722	
	978,405	978,405
Total Unassigned Fund Balance		\$ 1,232,438

SECTION 3

Restricted Fund Balance - Excess Surplus		\$ 786,793
<u>Recapitulation of Excess Surplus as of June 30, 2016</u>		
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 745,190	
Restricted for Excess Surplus	786,793	
	1,531,983	\$ 1,531,983

**WALLINGTON BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that employee contributions toward health benefits be calculated and withheld in accordance with Chapter 78 of the Public Laws of 2011.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Scholarships

There are none.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Year Findings/Recommendations

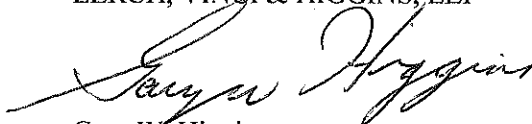
Corrective action was taken on all prior year findings.

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

A handwritten signature in black ink, appearing to read "Gary W. Higgins". The signature is written in a cursive style with a large initial "G".

Gary W. Higgins
Certified Public Accountant
Public School Accountant