

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

**WOOD-RIDGE BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITOR'S MANAGEMENT REPORT


Honorable President and Members
of the Board of Trustees
Wood-Ridge Board of Education
Wood-Ridge, 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 Wood-Ridge Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 4, 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 CS00829

Fair Lawn, New Jersey
November 4, 2016

**WOOD-RIDGE 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 Chief School Administrator, 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 Exhibit J-20, Insurance Schedule contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Jenine Murray	Board Secretary/School Business Administrator (10/1/15-6/30/16)	\$225,000

There is a Public Employees' Faithful Performance Blanket Position Bond with School Alliance Insurance Fund covering all other employees with multiple coverage of \$500,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any significant 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 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 promptly remitted to the proper agencies. Health benefits withholdings were transferred to the general fund.

The District filed the required certification (ECERTI) of compliance with requirements for income tax on compensation of administrators with the NJ Department of Treasury by the March 15 due date.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

**WOOD-RIDGE 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 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 reserve 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.

Finding – The audit of encumbrances indicated that certain purchase orders which were classified as encumbrances by the District as of June 30, 2016 were determined to be accounts payable or invalid.

Recommendation – Year end closing procedures be reviewed and enhanced to ensure open purchase orders are properly classified at year end.

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, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Monthly Board Secretary's report and certifications were approved by the Board in a timely manner.

Finding – Our audit indicated that the original budget included in the District's revenue and appropriation reports for the Special Revenue Fund were not in agreement with the adopted budget. Additionally, the General Fund modified budget could not be reconciled to the approved budget and prior year encumbrances.

Recommendation – The original budget included in the District's revenue and appropriations reports for the Special Revenue Fund be in agreement with the adopted budget. Additionally, the General Fund modified budget be reviewed and reconciled.

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./IASA financial exhibits are contained within the Special Revenue Fund of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II, and Title III of the Elementary and Secondary Education Act.

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.

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

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and K-4 located in 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

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. Reimbursements 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 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 was made prior to the end of the 90 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

N.J.S.A. 18A:18-4 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".

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:39-3 are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800. The Board has appointed the Board Secretary/School Business Administrator as the Qualified Purchasing Agent.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, 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 my examination indicated that no 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.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 the district purchased items through the use of State contracts.

Finding – The audit revealed that the construction contracts pertaining to the HVAC/Boiler replacements and window/door replacements that individually exceeded \$2 million were not submitted within 20 days of the contract award to the Office of the State Comptroller in accordance with N.J.S.A. 52:15 C-10.

Recommendation – Purchasing procedures be enhanced to ensure post award notices for contracts awarded in excess of \$2 million are submitted to the Office of the State Comptroller in accordance with N.J.S.A. 52:15 C-10.

Food Service Fund

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 School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. 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.

The District has contracted with Nu Way Concessionaires, Inc., as its food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of least \$15,000. The operating results provision has been met.

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 exceed three months average expenditures.

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

**WOOD-RIDGE 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 cash disbursements records were maintained 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, related services, 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 immaterial exceptions. The information that was included on the workpapers was verified with no exceptions noted. 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 Report with immaterial exceptions. 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 SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the General Fund or from the Capital Reserve Account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

Suggestions to Management

- Old outstanding checks on the Athletics bank reconciliation be reviewed and cleared of record.
- Reconciling items on the Payroll Agency bank reconciliation be reviewed and cleared of record.

**WOOD-RIDGE BOARD OF EDUCATION
SCHEDULE OF MEAL COUNT ACTIVITY
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

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

NOT APPLICABLE

**WOOD-RIDGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCROBER 15TH 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		Reported on Workpapers On Roll		Errors		Sample for Verifi- cation	Sample Verified	Sample Errors	Reported on A.S.S.A. as Private Schools		Reported on Workpapers Private Schools		Sample for Verifi- cation		Sample Verified		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				Private Schools	Private Schools	Verifi- cation	Sample Verified	Sample Errors						
Half Day Preschool - 3 years	8		8				8		8																	
Full Day Preschool - 4 years	26		26				26		26																	
Half Day Kindergarten	-		-				-		-																	
Full Day Kindergarten	60		60				60		60																	
1st Grade	69		69				69		69																	
2nd Grade	74		74				74		74																	
3rd Grade	74		74				74		74																	
4th Grade	71		71				71		71																	
5th Grade	81		81				81		81																	
6th Grade	91		91				91		91																	
7th Grade	77		77				77		77																	
8th Grade	79		79				79		79																	
9th Grade	99		99				99		99																	
10th Grade	87		87				87		87																	
11th Grade	70		70				70		70																	
12th Grade	74		74				74		74																	
Subtotal	1,040	-	1,040	-	-	-	1,040	-	1,040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	50		50				35		35			17	17			4.0	3.0	3.0	3.0							
Spec Ed - Middle School	38		38				11		11			13	13			4.0	4.0	4.0	4.0							
Spec Ed - High School	54	6	54	5		1	54	5	54	5		19	19			9.0	10.5	10.5	8.0					3		
Subtotal	142	6	142	5	-	1	100	5	100	5	-	49	49	-	17.0	17.5	17.5	15.0	3							
Totals	1,182	6	1,182	5	-	1	1,140	5	1,140	5	-	49	49	-	17.0	17.5	17.5	15.0	3							
Percentage Error				<u>0.00%</u>	<u>16.67%</u>					<u>0.00%</u>				<u>0.00%</u>											<u>0.00%</u>	

**WOOD-RIDGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15TH 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	6.0	6.0		2.0	2.0		1	1		1	1	
1st Grade	5.0	5.0		1.0	1.0		2	1	1	1	1	
2nd Grade	8.0	8.0		3.0	3.0							
3rd Grade	13.0	13.0		4.0	4.0							
4th Grade	14.0	14.0		4.0	4.0							
5th Grade	11.0	11.0		3.0	3.0							
6th Grade	11.0	11.0		3.0	3.0		1	1		1	1	
7th Grade	12.0	12.0		4.0	4.0							
8th Grade	8.0	8.0		2.0	2.0							
9th Grade	22.0	23.0	(1)	6.0	6.0		2	2		2	2	
10th Grade	11.0	11.0		3.0	3.0		2	2		2	2	
11th Grade	10.0	10.0		3.0	3.0		1	1		1	1	
12th Grade	9.0	9.0		3.0	3.0							
Subtotal	140.0	141.0	(1)	41	41	-	9	8	1	8	8	-
Spec Ed - Elementary	15.0	15.0		4	4							
Spec Ed - Middle School	8.0	8.0		2	2							
Spec Ed - High School	19.5	17.5	2	6	6							
Subtotal	42.5	40.5	2	12	12	-	-	-	-	-	-	-
Totals	182.5	181.5	1	53	53	-	9	8	1	8	8	-
Percentage Error			<u>0.55%</u>			<u>0.00%</u>			<u>11.11%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	38.0	38.0	-	29.0	29.0	-
Transported - Non-Public	-	-	-	-	-	-
AIL - Non-Public	-	-	-	-	-	-
Regular - Spec.	2.0	2.0	-	2.0	2.0	-
Special Needs - Public	48.0	48.0	-	36.0	35.0	1
Totals	88.0	88.0	-	67.0	66.0	1
			<u>0.00%</u>			<u>1.49%</u>

**WOOD-RIDGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15TH 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						
1st Grade	1	1	-	1	1	-
2nd Grade						
3rd Grade						
4th Grade						
5th Grade						
6th Grade						
7th Grade						
8th Grade						
9th Grade						
10th Grade						
11th Grade						
12th Grade	1		1			
Subtotal	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Spec Ed - Elementary						
Spec Ed - Middle School						
Spec Ed - High School						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Percentage Error			<u>50.00%</u>			<u>0.00%</u>

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

2015-2016 Total General Fund Expenditures per the CAFR	\$20,533,227	
Increased by:		
Transfer from Capital Reserve to Capital Projects Fund	<u>500,000</u>	
	21,033,227	
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>1,657,132</u>	
Adjusted 2015-2016 General Fund Expenditures	<u>\$19,376,095</u>	
2% of Adjusted 2015-2016 General Fund Expenditures	\$387,522	
Increased by:		
Allowable Adjustment – Extraordinary Aid	<u>76,887</u>	
Maximum Unassigned Fund Balance		\$464,409
Total General Fund – Fund Balance at June 30, 2016 (Per CAFR Budgetary Comparison schedule/statement)	\$2,700,101	
Decreased by:		
Assigned Fund Balance - Year End Encumbrances	105,520	
Restricted Fund Balance		
Capital Reserve	1,608,973	
Emergency Reserve	100,000	
Excess Surplus - Designated for Subsequent Year's Budget	102,140	
Assigned Fund Balance – Designated for Subsequent Year's Budget	<u>319,059</u>	
Total Unassigned Fund Balance		<u>\$464,409</u>
Fund Balance – Excess Surplus		<u>\$ -0-</u>

**WOOD-RIDGE BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Year end closing procedures be reviewed and enhanced to ensure open purchase orders are properly classified at year end.
2. The original budget included in the District's revenue and appropriation reports for the Special Revenue Fund be in agreement with the adopted budget. Additionally, the General Fund modified budget be reviewed and reconciled.

III. School Purchasing Program

It is recommended that purchasing procedures be enhanced to ensure post award notices for contracts awarded in excess of \$2 million are submitted to the Office of the State Comptroller in accordance with N.J.S.A. 52:15 C-10.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Status of Prior Years' Audit Findings/Recommendations

Corrective action was taken on all prior year recommendations.

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
PSA Number CS00829