

**OAKLAND BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**OAKLAND 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
Oakland Board of Education
Oakland, 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 Oakland Board of Education as of and for the fiscal year ended June 30, 2017 and have issued our report thereon dated November 20, 2017.

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.

Respectfully submitted,

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

Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
November 20, 2017

**OAKLAND BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, 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 reported on Exhibit J-20 as contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Ms. Rachel DeCarlo	Board Secretary/School Business Administrator	\$260,000
Ms. Judith Favino	Treasurer of School Monies	260,000

There is Employees' Dishonesty with Faithful Performance coverage with Selective Insurance Company of America covering all other employees.

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 signatures, certification or supporting documentation.

Payroll Account

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

The net salaries of all employees tested of the Board were deposited in the Payroll Account. Employees' payroll deductions tested and employer's share of fringe benefits tested were deposited in the Payroll Agency Account.

Salary withholdings were promptly remitted to the proper agencies, including employee health benefit contribution withholdings due to the General Fund. The School Business Administrator 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.

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 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.

**OAKLAND BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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 additional procedures were deemed necessary to test expenditure classification.

Travel

The District has adopted a policy regulating travel.

Board Secretary's Records

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

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

The prescribed contractual order system was followed. Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating account, payroll account, payroll agency account and the food service accounts.

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

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 Fiduciary Fund.

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

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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed Exhibits 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 are contained within the Special Revenue Fund section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

**OAKLAND BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 material exceptions were noted.

T.P.A.F. Reimbursements to the State for Federal Salary Expenditures

There were none.

Non-Public State Aid

Project completion reports were finalized and transmitted to the State by the due date.

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(a) 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 18A:39-3 is currently \$18,800. The Board has designated the Business Administrator as the Qualified Purchasing Agent for the District.

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 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 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 our 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.

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.

Food Service Fund

The school food service program was not selected as a major federal and/or State program. The program expenditures did not exceed \$100,000 in federal support.

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

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC), Pomptonian 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 have a profit of \$5,000. The operating results provision has been met.

**OAKLAND BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Food Service Fund (Continued)

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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.

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

Exhibits reflecting the District's Food Service Program are reflected on Exhibits B-4, B-5 and B-6 of the District's CAFR.

Student Activity Funds

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

All receipts tested were deposited in a timely manner. All cash disbursements tested had proper supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private school for the handicapped, low-income, and bilingual education. 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 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 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also 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.

Follow-up on Prior Year Findings

There were no prior year findings.

Suggestions to Management

During our audit of the T.P.A.F Social Security State Share Reimbursements, it was noted that the District's payroll software is including the imputed income for the Group Term Life in the pensionable base salary used in the calculation for the State Share Reimbursement. It is recommended that the District review this calculation with the payroll software company and modify the calculation in accordance with the state guidelines.

**OAKLAND BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**OAKLAND BOARD OF EDUCATION
FOOD SERVICE FUND
COMPARISON OF NET CASH RESOURCES TO THREE MONTHS AVERAGE EXPENDITURES
ENTERPRISE FUND
AS OF JUNE 30, 2017**

NOT APPLICABLE

**OAKLAND BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	2017-2018 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 Verifi- cation	Sample Verified	Sample Errors	Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared							
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared							
Half Day Preschool 3 Years Old					-	-													
Full Day Preschool 3 Years Old					-	-													
Half Day Preschool 4 Years Old					-	-													
Full Day Preschool 4 Years Old					-	-													
Half Day Kindergarten					-	-													
Full Day Kindergarten	128		128		-	-	39		39										
Grade 1	132		132		-	-	36		36										
Grade 2	114		114		-	-	44		44										
Grade 3	125		125		-	-	45		45										
Grade 4	107		107		-	-	31		31										
Grade 5	134		134		-	-	56		56										
Grade 6	139		139		-	-	139		139										
Grade 7	179		179		-	-	179		179										
Grade 8	151		151		-	-	151		151										
Grade 9					-	-													
Grade 10					-	-													
Grade 11					-	-													
Grade 12					-	-													
Post- Graduate					-	-													
Adult High School (15+ Credits)					-	-													
Adult High School (1-14 Credits)					-	-													
Subtotal	1,209	-	1,209	-	-	-	720	-	720	-	-	-	-	-	-	-	-	-	-
Sp Ed - Elementary	115		115		-	-	34		34			30	30	-	8	7	7	-	-
Sp Ed - Middle School	98		98		-	-	98		98			25	25	-	7	6	6	-	-
Sp Ed - High School					-	-								-				-	-
Subtotal	213	-	213	-	-	-	132	-	132	-	-	55	55	-	15	13	13	-	-
County Vocational - Regular					-	-													
County Vocational - F.T. Post-Second					-	-													
Subtotal					-	-													
Totals	1,422	-	1,422	-	-	-	852	-	852	-	-	55	55	-	15	13	13	-	-
Percentage Error					<u>0.00%</u>										<u>0.00%</u>				<u>0.00%</u>

**OAKLAND BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	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	Sample Errors
Half Day Preschool 3 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	7	7	-	5	5	-
Grade 1	7	7	-	4	4	-
Grade 2	5	5	-	3	3	-
Grade 3	5	5	-	3	3	-
Grade 4	8	8	-	5	5	-
Grade 5	3	3	-	2	2	-
Grade 6	8	8	-	5	5	-
Grade 7	8	8	-	5	5	-
Grade 8	7	7	-	5	5	-
Grade 9			-			-
Grade 10			-			-
Grade 11			-			-
Grade 12			-			-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	58	58	-	37	37	-
Sp Ed - Elementary	22	22	-	13	13	-
Sp Ed - Middle School	13	13	-	9	9	-
Sp Ed - High School			-			-
Subtotal	35	35	-	22	22	-
County Vocational - Regular			-			-
County Vocational - F.T. Post-Second			-			-
Subtotal	-	-	-	-	-	-
Totals	93.0	93.0	-	59.0	59.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected	Verified to Test Score and Register	Errors
Half Day Preschool 3 Years Old			-			-
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	3	3	-	3	3	-
Grade 1	1	1	-	1	1	-
Grade 2	1	1	-	1	1	-
Grade 3			-			-
Grade 4			-			-
Grade 5			-			-
Grade 6	1	1	-	1	1	-
Grade 7			-			-
Grade 8	1	1	-	1	1	-
Grade 9			-			-
Grade 10			-			-
Grade 11			-			-
Grade 12			-			-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	7	7	-	7	7	-
Sp Ed - Elementary	4	4	-	4	4	-
Sp Ed - Middle School	1	1	-	1	1	-
Sp Ed - High School	0	0	-	0	0	-
Subtotal	5	5	-	5	5	-
County Vocational - Regular			-			-
County Vocational - F.T. Post-Second			-			-
Subtotal	-	-	-	-	-	-
Totals	12	12	-	12	12	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	224	224	-	41	41	-
Regular - Special Ed	52	52	-	9	9	-
ALL Non-Public	25	25	-	5	5	-
Transported - Non Public	7	7	-	1	1	-
Special Needs	24	24	-	4	4	-
Subtotal	332	332	-	60	60	-
Percentage Error			<u>0.0%</u>			<u>0.0%</u>

**OAKLAND BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT low Income	Errors	Sample Selected From Workpapers	Verified to Application	Errors
Half Day Preschool 3 Years Old						
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	4	4	-	4	4	-
Grade 1			-			-
Grade 2	1	1	-	1	1	-
Grade 3			-			-
Grade 4			-			-
Grade 5			-			-
Grade 6	1	1	-	1	1	-
Grade 7			-			-
Grade 8			-			-
Grade 9	-	-	-			-
Grade 10	-	-	-			-
Grade 11	-	-	-			-
Grade 12	-	-	-			-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	6	6	-	6	6	0
Sp Ed - Elementary	1	1		1	1	-
Sp Ed - Middle School						-
Sp Ed - High School						-
Subtotal	1	1	-	1	1	-
County Vocational - Regular						
County Vocational - F.T. Post-Second						
Subtotal						
Totals	7	7	-	7	7	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**OAKLAND BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2016-2017 Total General Fund Expenditures per the CAFR	\$	31,956,072
Decreased by:		
On-Behalf TPAF Pension & Social Security		3,465,628
 Adjusted 2016-2017 General Fund Expenditures	 \$	 <u>28,490,444</u>
 2% of Adjusted 2016-2017 General Fund Expenditures	 \$	 569,809
Increased by: Allowable Adjustments		
Extraordinary Aid in Excess of Amount Budgeted		9,373
Nonpublic School Transportation Aid		5,558
 Maximum Unreserved/Undesignated Fund Balance		 \$ <u>584,740</u>
 Total General Fund - Fund Balances at June 30, 2017	 \$	 6,735,530
Decreased by:		
Legally Restricted- Excess Surplus- Designated for Subsequent Year's Expenditures		920,515
Emergency Reserve		126,204
Capital Reserve		3,072,686
Capital Reserve - Designated for Subsequent Year's Expenditure		859,602
Maintenance Reserve		128,301
Maintenance Reserve - Designated for Subsequent Year's Expenditure		47,100
Assigned Fund Balance - Unreserved		
Designated for Subsequent Year's Expenditures		195,325
Year-End Encumbrances		151,803
		5,501,536
 Total Unassigned Unrestricted Fund Balance		 \$ <u>1,233,994</u>
 Restricted Fund Balance - Excess Surplus		 \$ <u>649,254</u>

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Fund Balance - Excess Surplus	\$	1,569,769
 Reserve Excess Surplus- Designated for Subsequent Year's Expenditures	 \$	 920,515
Reserve Excess Surplus		649,254
 Total Excess Surplus	 \$	 <u>1,569,769</u>

OAKLAND BOARD OF EDUCATION

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. **Food Service Fund**

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.

VIII. **Miscellaneous**

There are none.

IX. **Status of Prior Year Audit Findings/Recommendations**

There were no prior year recommendations.

OAKLAND BOARD OF EDUCATION

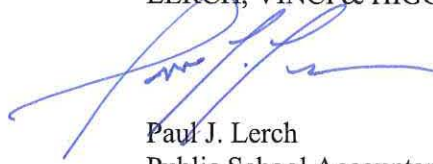
RECOMMENDATIONS

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



Paul J. Lerch
Public School Accountant
Certified Public Accountant