

**WALL TOWNSHIP BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**WALL TOWNSHIP 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 Education
Wall Township Board of Education
Wall Township, 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 Wall Township Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 15, 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 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

Donna L. Japhet
Public School Accountant
PSA Number CS002314

Fair Lawn, New Jersey
November 15, 2017

**WALL TOWNSHIP 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 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 contained in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Pablo Canela	Treasurer	\$350,000
Brian J. Smyth	Board Secretary/School Business Administrator	350,000

There is a Public Employees' Faithful Performance Blanket Position Bond 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. The actual costs were greater than estimated costs.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll/Personnel

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 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.

Employee Position Control Roster

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

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

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 reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were received for propriety and to determine that goods were received and services were rendered, as of June 30.

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, a separate test was made to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3 as it relates to administrative coding classification.

Board Secretary's Records

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

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

Finding (CAFR Finding 2017-001) - Our audit of the general ledger account balances revealed certain adjusting journal entries were required to reconcile the Board records to agree with subsidiary records and supporting documentation. We noted the following:

- Prior year accounts receivable related to the Special Revenue Fund in the amount of \$7,158 was posted to the General Fund in error.
- The State aid debit/credit memo in the amount of \$11,936 to adjust for the prior year balances in the Special Revenue Fund due to the State was not posted.
- Prior year Federal receivable in the amount of \$80,000 and the payment of \$348,036 from the lease escrow proceeds in conjunction with the lease of buses were not properly accounted for in the general ledger.
- Prior year Federal receivable in the amount of \$35,278 was posted to the incorrect general ledger account.
- State aid debit/credit memos in the amount of \$133,304 were not properly posted to the general ledger.
- Prior year prepaid insurance proceeds in the amount of \$125,525 were not properly applied to the current year budget.

Recommendation – General ledger balances be reconciled to the subsidiary records and supporting documentation on a monthly basis.

Treasurer's Records

The Treasurer did perform cash reconciliations for all accounts required.

All cash receipts were promptly deposited.

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 Expendable Trust Fund.

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

Financial Planning, Accounting and Reporting (Continued)

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 the projects under Titles II and III of the Elementary and Secondary Education Act, as amended.

The audit indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The District must monitor the programs to ensure each finding has been properly addressed.

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 within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Finding – The District had a review performed by the State Department of Education, Office of Financial Accounting and Compliance of the Application for State School Aid and the District Report of Transportation results students as of October 15, 2014 as well as a review of the Extraordinary Aid for Special Education costs and review of Chapter 192/193 Project Completion Report for fiscal year 2014/2015. The review cited several findings and the District prepared a correction action plan which was subsequently approved by the State therefore a recommendation is not deemed necessary.

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

There was no TPAF employees' contractual salaries paid from federal funds during the current fiscal year. Therefore, there were no reimbursement amounts due to the State at June 30, 2017.

Nonpublic 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:39-3(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 N.J.S.A. 18A:39-3 is currently \$18,800. The Board has designated the School Business Administrator/Board Secretary 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 Board Attorney's opinion should be sought before a commitment is made.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

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.

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 or state program. However, the program expenses 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.

The Statement of Revenues, Expenses, and Changes in Fund Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

Expenses 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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food services employees authorized by the board of education.

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.

Exhibits reflecting Child Nutrition Program operations are included in the CAFR on Exhibits B-4, B-5 and B-6.

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

Before and After School Programs

The financial records of the Before and After School Programs Enterprise Fund were maintained in good condition.

Student Body Activities

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

Cash receipts and disbursements records for the student activity accounts were maintained in good condition.

Finding – Our audit revealed that there were a sequential block of checks issued for the High School Athletic bank account in September 2016 that contained only one signature.

Recommendation – All checks issued from the High School Athletic bank account contain at least two authorization signatures.

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 schools for the disabled, bilingual and low-income. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to District workpapers with immaterial exceptions. The information on the workpapers was verified with an isolated 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. 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 per eligible facilities construction.

Finding (CAFR Finding 2017-002) – Our audit noted that the District has not submitted reimbursement from the NJ School Development Authority for uncollected grant funds for certain capital projects which appear to be substantially complete.

Recommendation - The District review the outstanding SDA projects in the Capital Projects Fund and take appropriate action to close out all completed project grant account balances and collect eligible grant funds.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.

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

INFORMATION NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

INFORMATION NOT APPLICABLE

**WALL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	2017-18 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on	Sample		
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private	Verifi-	Sample	Sample
On Roll	On Roll	On Roll	On Roll	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors	
Half Day Preschool - 3 years	6		6		-	-		6		6		-	-			
Full Day Preschool - 3 years					-	-						-	-			
Half Day Preschool - 4 years	8		10		(2)	-		10		10		-	-			
Full Day Preschool - 4 years					-	-						-	-			
Half Day Kindergarten					-	-						-	-			
Full Day Kindergarten	230		230		-	-		54		54		-	-			
1st Grade	206		206		-	-		78		78		-	-			
2nd Grade	221		221		-	-		26		26		-	-			
3rd Grade	215		215		-	-		55		55		-	-			
4th Grade	193		193		-	-		49		49		-	-			
5th Grade	207		207		-	-		76		76		-	-			
6th Grade	228		228		-	-		228		229		(1)	-			
7th Grade	235		235		-	-		235		234		1	-			
8th Grade	259		259		-	-		259		259		-	-			
9th Grade	201		201		-	-		201		201		-	-			
10th Grade	247		247		-	-		247		248		(1)	-			
11th Grade	227	10	227	10	-	-		227	10	227	10	-	-			
12th Grade	239	11	239	11	-	-		237	11	237	11	-	-			
Subtotal	2,922	21	2,924	21	(2)	-		1,988	21	1,989	21	(1)	-	-	-	-
Spec Ed - Elementary	225		223		2	-		28	-	28		-	-	6	5	4 (1)
Spec Ed - Middle School	152		152		-	-		151	-	153		(2)	-	7	6	6 -
Spec Ed - High School	164	29	164	29	-	-		162	29	163	29	(1)	-	18	15	15 -
Subtotal	541	29	539	29	2	-		341	29	344	29	(3)	-	31	26	25 (1)
Totals	3,463	50	3,463	50	-	-		2,329	50	2,333	50	(4)	-	31	26	25 (1)
Percentage Error					<u>0.00%</u>	<u>0.00%</u>						<u>-0.17%</u>	<u>0.00%</u>			<u>-3.85%</u>

**WALL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	Low Income			Sample for Verification			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 Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	39.0	39.0	-	6.0	6.0	-	10.0	10.0	-	9.0	9.0	-
1st Grade	23.0	23.0	-	4.0	4.0	-	3.0	3.0	-	2.0	2.0	-
2nd Grade	23.0	23.0	-	4.0	4.0	-	4.0	4.0	-	3.0	3.0	-
3rd Grade	29.0	29.0	-	5.0	5.0	-	1.0	1.0	-	1.0	1.0	-
4th Grade	24.0	24.0	-	4.0	4.0	-	3.0	3.0	-	2.0	2.0	-
5th Grade	21.0	21.0	-	3.0	3.0	-	2.0	2.0	-	2.0	2.0	-
6th Grade	18.0	18.0	-	2.0	2.0	-	2.0	2.0	-	2.0	2.0	-
7th Grade	20.0	20.0	-	3.0	3.0	-	1.0	1.0	-	1.0	1.0	-
8th Grade	19.0	19.0	-	3.0	3.0	-	2.0	2.0	-	2.0	2.0	-
9th Grade	21.0	21.0	-	3.0	3.0	-	-	-	-	-	-	-
10th Grade	23.0	23.0	-	4.0	4.0	-	-	-	-	-	-	-
11th Grade	21.0	21.0	-	3.0	3.0	-	-	-	-	-	-	-
12th Grade	15.5	15.5	-	2.0	2.0	-	-	-	-	-	-	-
Subtotal	296.5	296.5	-	46.0	46.0	-	28.0	28.0	-	24.0	24.0	-
Spec Ed - Elementary	46.0	46.0	-	7.0	7.0	-	2.0	2.0	-	2.0	2.0	-
Spec Ed - Middle School	35.0	35.0	-	5.0	5.0	-	1.0	1.0	-	1.0	1.0	-
Spec Ed - High School	31.5	31.5	-	5.0	5.0	-	-	-	-	-	-	-
Subtotal	112.5	112.5	-	17.0	17.0	-	3.0	3.0	-	3.0	3.0	-
Totals	409.0	409.0	-	63.0	63.0	-	31.0	31.0	-	27.0	27.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	1,566.0	1,566.0	-	45.0	45.0	-
Transported - Non-Public	434.0	434.0	-	12.0	12.0	-
Regular - Spec.	329.5	329.5	-	9.0	9.0	-
Special Needs - Public	179.5	179.5	-	5.0	5.0	-
Totals	2,509.0	2,509.0	-	71.0	71.0	-
			<u>0.00%</u>			<u>0.00%</u>

**WALL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	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 Preschool (3 Yrs)	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	2	2	-	2	2	-
1st Grade	2	2	-	2	2	-
2nd Grade	-	-	-	-	-	-
3rd Grade	1	1	-	-	-	-
4th Grade	1	1	-	1	1	-
5th Grade	2	2	-	2	2	-
6th Grade	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-
8th Grade	1	1	-	-	-	-
9th Grade	1	1	-	1	1	-
10th Grade	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-
Subtotal	10	10	-	8	8	-
Spec Ed - Elementary	1	1	-	1	1	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	1	1	-	1	1	-
Totals	11	11	-	9	9	-
Percentage Error		<u>0.00%</u>			<u>0.00%</u>	

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

SECTION 1

Two Percent (2%) - Calculation of Excess Surplus

2016-2017 Total General Fund Expenditures per the CAFR		\$ 74,559,033
Decreased by:		
On-Behalf TPAF Pension & Reimbursed TPAF Social Security	\$ 8,215,034	<u>8,215,034</u>
Adjusted 2016-2017 General Fund Expenditures		\$ <u>66,343,999</u>
2% of Adjusted 2016-2017 General Fund Expenditures		\$ 1,326,880
Increased by:		
Allowable Adjustment - Unbudgeted Extraordinary Aid	\$ 134,746	
Allowable Adjustment -Unbudgeted Nonpublic Transportation Aid		<u>15,003</u>
Maximum Unassigned Fund Balance		\$ <u>1,476,629</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017		\$ 7,833,880
Decreased by:		
Reserved for Encumbrances	\$ 668,306	
Restricted Fund Balance-Capital Reserve	4,205,245	
Restricted Fund Balance-Maintenance Reserve	300,000	
Designated for Subsequent Year's Expenditures		
ARRA SEMI	17,748	
SEMI FY14 Cost Settlement	11,952	
Maintenance Reserve	504,000	
Capital Reserve	<u>650,000</u>	
		<u>6,357,251</u>
Total Unassigned Fund Balance		\$ <u>1,476,629</u>

**WALL TOWNSHIP BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that general ledger balances be reconciled to the subsidiary records and supporting documentation on a monthly basis.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Before and After School Programs

There are none.

VI. Student Body Activities

It is recommended that all checks issued from the High School Athletic bank account contain at least two authorization signatures.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

It is recommended that the District review the outstanding SDA projects in the Capital Projects Fund and take appropriate action to close out all completed project grant account balances and collect eligible grant funds.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

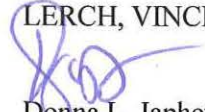
A review was performed on all prior years' recommendations and corrective action was taken on all

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



Donna L. Japhet
Certified Public Accountant
Public School Accountant