

WESTVILLE BOARD OF EDUCATION
Westville, New Jersey

Auditor's Management Report on Administrative Findings
Financial, Compliance, and Performance
For The Year Ended June 30, 2017

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE, AND PERFORMANCE**

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Report of Independent Auditors

Honorable President and
Members of the Board of Education
Westville School District
101 Birch Street
Westville, New Jersey 08093

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 Board of Education of the Westville School District in the County of Gloucester for the year ended June 30, 2017, and have issued our report thereon dated November 21, 2017.

As part of our audit, we performed procedures required by the New Jersey Department of Education 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 of the Westville Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542

November 21, 2017

Administrative Findings – Financial, Compliance, and Performance

Scope of Audit

The audit covered the financial transactions of the Board Secretary/ School Business Administrator and the 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 Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials' Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Richard Burr	Treasurer	\$170,000
Christopher Rodia	Board Secretary/ School Business Administrator	\$2,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs on the items tested were greater than estimated costs charged.

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 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 and the Board Secretary/Business Administrator.

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

Payroll was deposited in separate bank accounts for net payroll and withholdings.

The required certification (E-Cert1) of compliance with requirements for income tax on compensation of administrators (Superintendents, Assistant Superintendents, and Business Administrator) to the NJ Department of the Treasury was filed by the March 15th due date.

Reporting of employee compensation for income tax related purposes complied with federal and state regulations regarding the compensation which is required to be reported.

The Board of Education did not make merit bonus payments.

Employee Position Control Roster

An inquiry and review of the Position Control Roster found the payroll records and the general ledger accounts to where wages are posted were in agreement with the Position Control Roster. There are internal control procedures in place to ensure that employee benefits are offered only to current employees and their eligible relations.

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. District personnel performed an analysis of outstanding purchase orders at June 30 and prepared separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances.

Travel

The District has an approved board travel policy as required by NJAC 6A:23a-6.13 and NJSA 18A:11-12.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 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 of result of the procedures performed, we found no errors in the classification of expenditures and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed that the records were maintained in good condition. The prescribed contractual order system was followed.

The monthly certification of positive line item account status by the Board Secretary and monthly certification that sufficient funds are available to meet the District's financial obligations by the Board were filed during the year.

Purchase orders were charged to the appropriate line accounts in accordance with the State prescribed *Uniform Minimum Chart of Accounts for New Jersey Public Schools*.

Monthly bank reconciliations were prepared for the general operating account, payroll account, and payroll agency account (NJSA 18A-17-9).

The Board Secretary deposited all funds of the District in a timely manner in accordance with NJSA 18A:17-34.

Treasurer's Records

The Treasurer performed cash reconciliations for the general operating, payroll and agency accounts on a monthly basis. The Treasurer's cash balances were in agreement with those of the Board Secretary and the reconciled cash balance as determined during the audit. All cash receipts were deposited promptly

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

The ESEA/NCLB 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 I of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for ESEA indicated no areas of noncompliance and/or questionable costs during the year under audit.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit 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.

The study of compliance for the special project indicated no areas of noncompliance and/or questionable costs during the year under audit.

TPAF Reimbursement

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

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 60 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

NJSA 18A:18A-3 states:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent possesses a qualified purchasing agent certificate pursuant to subsection "b" of section 9 of P.L. 1971, c.198 (C.40A:11-9) the Board of Education may establish that the bid threshold may be up to \$29,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

Contracts and Agreements Requiring Advertisement for Bids (Continued)

- b. Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection "a" of this section or the threshold amount resulting from any adjustment under this subsection in direct proportion to the rise or fall of the index rate as that term is defined in NJSA 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective July 1 of the year in which it is made.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection "a" of NJSA 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

NJSA 18A:18A-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 advertisement 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 NJSA 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 contract under NJSA 18A:39-3 is currently \$18,800 for 2016-17.

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 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 good 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. Based on the results of our examination, we did not note any instances of noncompliance.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 18A:18A-5.

School Food Service

A school lunch program was found to be in effect, as maintained by state law, in a joint effort with neighboring districts. No financial records or transactions were handled by the District.

Student Body Activities

During our review of the Student Activity Funds, the following items were noted.

The Board has a policy that clearly established the regulation of Student Activity Funds.

Cash receipts were deposited in a timely manner. Cash disbursements contained proper supporting documentation. The cash journals were reconciled to the bank accounts on a monthly basis.

Application for State School Aid (ASSA)

Our audit procedures included a test of information reported in the October 14, 2016, Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the District's procedures related to its completion. The information on the ASSA was compared to the District's work papers with no exceptions. The information that was included on the work papers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained work papers on the prescribed state forms or their equivalent.

The District's written procedures appear to be adequate 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.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the School District and we greatly appreciate the courtesies extended to the members of the audit team.

WESTVILLE SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2016

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on ASSA On Roll		Reported on Work papers On Roll		Errors		Sample Selected from Work papers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3Yr.	3		3				3		3							
Half Day Preschool - 4Yr.	28		28				28		28							
Full Day Kindergarten	45		45				45		45							
One	40		40				40		40							
Two	40		40				40		40							
Three	42		42				42		42							
Four	46		46				46		46							
Five	25		25				25		25							
Six	31		31				31		31							
	<u>300</u>	<u>0</u>	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>300</u>	<u>0</u>	<u>300</u>	<u>0</u>	<u>0</u>	<u>0</u>				
Special Education - Elementary	61		61				61		61				1	1	1	
Special Education - Middle School	13		13				13		13							
	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>74</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
	<u>374</u>	<u>0</u>	<u>374</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>374</u>	<u>0</u>	<u>374</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as Low Income	Reported on Work papers as Low Income	Errors	Sample Selected from Work papers	Verified to Application and Registers	Sample Errors	Reported on ASSA as Low Income	Reported on Work papers as Low Income	Errors	Sample Selected from Work papers	Verified to Application and Registers	Sample Errors
Half Day Preschool												
Full Day Kindergarten	27	27		16	16		3	3		2	2	
One	18	18		13	13							
Two	20	20		11	11							
Three	28	28		18	18		2	2		2	2	
Four	22	22		15	15							
Five	12	12		7	7							
Six	13	13		9	9							
	<u>140</u>	<u>140</u>	<u>0</u>	<u>89</u>	<u>89</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>
Special Education - Elementary	46	46		35	35		1	1		1	1	
Special Education - Middle School	9	9		7	7							
	<u>55</u>	<u>55</u>	<u>0</u>	<u>42</u>	<u>42</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
	<u>195</u>	<u>195</u>	<u>0</u>	<u>131</u>	<u>131</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

WESTVILLE SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2016
 (CONTINUED)

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on ASSA NOT Low Income	Reported on Work papers NOT Low Income	Errors	Sample Selected from Work papers	Verified to Application and Registers	Sample Errors
Half Day Preschool						
Full Day Kindergarten	1	1		1	1	
One						
Two	1	1		1	1	
Three						
Four						
Five						
Six						
	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Special Education - Elementary						
Special Education - Middle School						
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DTRS by DOE/County	Reported on DTRS by District	Errors	Tested	Verified	Errors
Regular Public	6	6		6	6	
Regular Special Education	4	4		4	4	
Special Education Special Needs	6	6		6	6	
Nonpublic AIL	3	3		3	3	
	<u>19</u>	<u>19</u>	<u>0</u>	<u>19</u>	<u>19</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Reported	Recalculated
Reg. Avg. (Mileage) = Regular Including Grade PK (Part A)	13.7	13.7
Reg. Avg. (Mileage) = Regular Excluding Grade PK (Part B)	13.2	13.2
Spec Avg. = Special Education with Special Needs	11.1	11.1

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT/CHARTER SCHOOL

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1		\$	<u>5,659,301</u> (B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund		\$	<u> </u> (B1a)
Transfer from Capital Reserve to Capital Projects Fund		\$	<u> </u> (B1b)
Transfer from General Fund to SRF for PreK-Regular		\$	<u>1,501</u> (B1c)
Transfer from General Fund to SRF for PreK-Inclusion		\$	<u> </u> (B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security		\$	<u>722,236</u> (B2a)
Assets Acquired Under Capital Leases		\$	<u> </u> (B2b)
 Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]		\$	 <u><u>4,938,566</u></u> (B3)
 2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]		\$	 <u>98,771</u> (B4)
Enter Greater of (B4) or \$250,000		\$	<u>250,000</u> (B5)
Increased by: Allowable Adjustment *		\$	<u>16,341</u> (K)
 Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]			 \$ <u><u>266,341</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2017 (Per CAFR Budgetary Comparison Schedule C-1)		\$	<u>880,657</u> (C)
Decreased by:			
Year-end Encumbrances		\$	<u> </u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		\$	<u> </u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**		\$	<u>148,689</u> (C3)
Other Restricted Fund Balances****		\$	<u>151,517</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures		\$	<u>37,273</u> (C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017		\$	<u> </u> (C6)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]			 \$ <u><u>543,178</u></u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U2)-(M)] IF NEGATIVE ENTER -0- \$ 276,837 (E)

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures** \$ 148,689 (C3)

Reserved Excess Surplus*** [(E)] \$ 276,837 (E)

Total [(C3)+(E)] \$ 425,526 (D)

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale, and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Transportation Aid; recognized current year School Bus Advertising Revenue; and Family Crisis Transportation Aid. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid; Family Crisis Transportation Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ <u>15,819</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>522</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+ (J3)]	\$ <u>16,341</u>	(K)

** This amount represents the June 30, 2017, Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2017, CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ <u>151,517</u>
Maintenance reserve	\$ _____
Emergency reserve	\$ _____
Waiver offset reserve - designated for subsequent year	\$ _____
Tuition reserve	\$ _____
School bus advertising 50% fuel offset reserve - current year	\$ _____
School bus advertising 50% fuel offset reserve - prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other restricted fund balance not noted above]****	\$ _____
Total other restricted fund balance	\$ <u>151,517</u> (C4)

**WESTVILLE BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting, and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings