

WARREN COUNTY VOCATIONAL-  
TECHNICAL SCHOOL DISTRICT  
COUNTY OF WARREN  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
COUNTY OF WARREN  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018  
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January 18, 2019

The Honorable President and Members  
of the Board of Education  
Warren County Vocational-Technical School District  
County of Warren, New Jersey

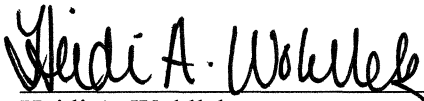
We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Warren County Vocational-Technical School District in the County of Warren for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 18, 2019.

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 letter does not affect our report dated January 18, 2019, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations if any.

This report is intended for the information of the Warren County Vocational-Technical School District's Board of Education, management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP

  
Heidi A. Wohlleb  
Licensed Public School Accountant #2140  
Certified Public Accountant

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018

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:

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials in Office and Surety Bonds:

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Nancy DeRiso	Treasurer of School Monies	\$ 200,000
Maureen Joyce	School Business Administrator	200,000

Tuition Charges:

A comparison of tuition charges and actual receipts and receivables was made. It appears, from our testing, that tuition charges appear to be valid revenues of the District.

Financial Planning, Accounting and Reporting:

Examination of Claims:

An examination of claims paid on a test basis, during the period under review revealed overall compliance with respect to signatures, certification and supporting documentation.

Payroll Account and Position Control Roster:

The net salaries of 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. Salary withholdings were remitted to the proper agencies, including health benefit withholdings due to the General Fund.

All payrolls were approved by the Superintendent and certified by the President of the Board, the School Business Administrator and the Superintendent.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

Reserve for Encumbrances and Accounts Payable:

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting: (Cont'd)

Classification of Expenditures:

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:23-2.2(g) 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. Overall compliance was noted.

Board Secretary's Records:

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Treasurer's Records:

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

No Child Left Behind (N.C.L.B.) Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained herein within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II, and Title IV of the Elementary and Secondary Education Act.

Other Special Federal and/or State Projects:

The District's Special Projects were approved as listed on Schedules A and 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.

T.P.A.F. 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.

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2018. The reimbursement form was reviewed and no exceptions were noted.

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

School Purchasing Program:

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 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 is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000.

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.

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 N.J.S.A. 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 on July 1 of the year in which it is made . . . ."

N.J.S.A. 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 advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law . . . ."

Effective July 1, 2015 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is currently \$19,000.

As per N.J.S.A. 18A:18A-3, the Board passed a resolution at its August 5, 2015 meeting, authorizing the Superintendent as a qualified purchasing agent and increasing the bid threshold to \$40,000.

The 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 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 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. None were noted.

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

School Purchasing Program: (Cont'd)

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", 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.

School Food Service:

The school food service was not selected as a major federal and/or state program. We inquired of school management, or the appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also 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.

Non-program foods were purchased, prepared or offered for sale. The Statement of Revenue, Expenses and Changes in Net Position in the CAFR Schedule B-5 does separate program and non-program revenue and program and non-program cost of goods sold.

Student Body Activities:

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Application for State School Aid:

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll and low income students. 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 two minor exceptions. The information that was included on the workpapers was verified on a test basis with two minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed State forms or their equivalent.

The District's procedures for the recording of student enrollment data appear to be adequate.

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Pupil Transportation:

Our audit procedures included a test of on-roll status reported in the 2017-2018 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no exceptions. 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.

Facilities and Capital Assets:

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue and awarding of contracts for eligible facilities construction.

Finding:

During our testing of capital assets, we noted that certain equipment items we selected from the capital assets accounting records could not be located in the school building and that certain items we noted in our tour of the school building could not be located in the capital assets accounting records. As the District has already taken steps to address the items noted and will be reviewing the capital assets listing in its entirety in fiscal year 2018-19 no formal recommendation is judged to be warranted.

Travel Expenses and Travel Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the District to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Education and Superintendent and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred. No exceptions were noted in our testing.

Testing for Lead of All Drinking Water in Educational Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).



WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Management Suggestion

Many school districts contract with service providers to perform functions such as the processing of payroll and provision of food service management services. In conjunction with these services, the service provider will engage an auditor to perform a SOC 1 (System and Organization Controls) engagement which results in a SOC 1 report. There are two different types of SOC 1 reports - a Type 1 and a Type 2 report. Both report on the fairness of the presentation of management's description of the service organization's system and the design of the controls to achieve the related control objectives. The Type 1 report is through a specific period. The Type 2 report also reviews the operating effectiveness of the controls included in the description throughout a specified period. Included in the Type 2 report will be the individual controls, what was tested and the results of the testing.

We suggest that the District review these SOC 1 reports to determine if there are any exceptions noted in the opinion in the Independent Auditors' Report. Additionally, for SOC 1 Type 2 reports we suggest that the District review the test results related to the individual control testing to determine if there were any exception noted. If exceptions are noted in the report the District should contact the service provider and inquire what steps the service provider is taking to address these exceptions.

Status of Prior Year's Findings/Recommendations

The prior year recommendation regarding ensuring that expenditures reported on the final expenditure reports for Title I and Title IIA are reconciled with the accounting records has been resolved.

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLMENT AS OF OCTOBER 13, 2017

	2018-2019 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
County Vocational - Regular	373	1	371	1	2		384	1	384	1		
County Vocational - Post Secondary	32		32				32		32			
Subtotal	405	1	403	1	2		416	1	416	1		
Special Ed - High School	90		90				8		8			
Subtotal	90		90				8		8			
Totals	495	1	493	1	2	-0-	424	1	424	1	-0-	-0-
Percentage Error					0.40%						0.00%	0.00%

WARREN COUNTY VOCATIONAL TECHNICAL SCHOOL  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLMENT AS OF OCTOBER 13, 2017

	Resident Low Income					
	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
County Vocational- Regular	117	117		18	16	(2)
Subtotal	<u>117</u>	<u>117</u>		<u>18</u>	<u>16</u>	<u>(2)</u>
Special Ed - High School	28	28		3	3	
Subtotal	<u>28</u>	<u>28</u>		<u>3</u>	<u>3</u>	
Totals	<u><u>145</u></u>	<u><u>145</u></u>	<u><u>-0-</u></u>	<u><u>21</u></u>	<u><u>19</u></u>	<u><u>(2)</u></u>
Percentage Error			<u><u>0.00%</u></u>			<u><u>-9.52%</u></u>

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLMENT AS OF OCTOBER 13, 2017

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	363	363		20	20	
Regular - Special Education	84	84		5	5	
Totals	447	447	-0-	25	25	-0-
Percentage Error			0.00%			0.00%

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FISCAL YEAR ENDED JUNE 30, 2018

**6% Calculation of Excess Surplus (2017-2018 Expenditures of \$100 million or less)**

2017/2018 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 10,288,550</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ 98,582</u> (B1b)	
Transfer from General Fund to SRF for PreK-Regular	<u>\$ -0-</u> (B1c)	
Transfer from Gneral Fund to SRF for PreK-Inclusion	<u>\$ -0-</u> (B1d)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 1,083,284</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ -0-</u> (B2b)	
Adjusted 2017-2018 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 9,303,848</u> (B3)	
6% of Adjusted 2017-2018 General Fund Expenditures [(B3) times .06]	<u>\$ 558,231</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 558,231</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ -0-</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 558,231</u> (M)

**Section 2 - All Districts**

Total General Fund - Fund Balances @ 6/30/2018	<u>\$ 2,535,169</u> (C)	
(Per CAFR Budgetary Comparison Schedule/Statement)		
Decreased by:		
Year End Encumbrances	<u>\$ 456,746</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C3)	
Other Restricted Fund Balances	<u>\$ 1,520,192</u> (C4)	
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C5)	
Additional Assigned Fund Balance:		
Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	<u>\$ -0-</u> (C6)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		<u>\$ 558,231</u> (U)

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

**6% Calculation of Excess Surplus (2017-2018 Expenditures of \$100 million or less)**

**Section 3 - All Districts**

Restricted Fund Balance - Excess Surplus [(U)-(M)] IF NEGATIVE, ENTER -0-                   \$           0 (E)

**Recapitulation of Excess Surplus as of June 30, 2018**

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures                   \$           -0- (C3)

Restricted Excess Surplus [(E)]   \$           0 (E)

Total [(C3)+(E)]   \$           0 (D)

**Detail of Allowable Adjustments**

Impact Aid   \$           -0- (H)

Sale and Lease Back   \$           -0- (I)

Extraordinary Aid   \$           -0- (J1)

Additional Nonpublic School Transportation Aid   \$           -0- (J2)

Current Year School Bus Advertising Revenue Recognized   \$           -0- (J3)

Family Crisis Transportation Aid   \$           -0- (J4)

Total Adjustments ((H)+(I)+(J1)+(J2)+(J3)+(J4))   \$           -0- (K)

**Detail of Other Restricted Fund Balance**

Statutory restrictions:

Approved unspent separate proposal   \$           -0-

Sale/lease-back reserve   \$           -0-

Capital reserve   \$ 1,520,192

Emergency reserve   \$           -0-

Maintenance reserve   \$           -0-

Tuition reserve   \$           -0-

School Bus Advertising 50% Fuel Offset Reserve – current year                                 \$           -0-

School Bus Advertising 50% Fuel Offset Reserve – prior year                                 \$           -0-

Impact Aid General Fund Reserve (Sections 8002 and 8003)                                     \$           -0-

Impact Aid Capital Fund Reserve (Sections 8007 and 8008)                                     \$           -0-

Other state/governmental mandated reserve   \$           -0-

Total Other Restricted Fund Balance   \$ 1,520,192 (C4)

WARREN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT  
SUMMARY OF RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures  
None
2. Financial Planning, Accounting and Reporting  
None
3. School Purchasing Program  
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. Travel Expenses and Travel Reimbursement Policy  
None.
10. Status of Prior Year's Findings/Recommendations

The prior year recommendation regarding ensuring that expenditures reported on the final expenditure reports for Title I and Title IIA are reconciled with the accounting records has been resolved.