

**BOARD OF EDUCATION
BOROUGH OF WEST CAPE MAY
COUNTY OF CAPE MAY**

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

INVERSO & STEWART, LLC
Marlton, New Jersey

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INVERSO & STEWART, LLC
Certified Public Accountants

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: rinverso@iscpasnj.com

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Honorable President and
Members of the Board of Education
West Cape May School District
West Cape May, New Jersey

I 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 West Cape May School District, in the County of Cape May, as of and for the year ended June 30, 2019 and have issued my report thereon dated November 19, 2019.

As part of my audit, I 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 West Cape May Board of Education and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

Marlton, New Jersey
November 19, 2019

**ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND
PERFORMANCE REPORTING**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the school district's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Todd D'Anna	Board Secretary / School Business Administrator	\$ 100,000

There is a Public Employees' Faithful Performance Blanket Position Bond with New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$50,000.

Tuition Charges

A comparison of tuition charges was agreed to individuals' tuition contracts. No adjustments were necessary.

Unemployment Compensation Insurance Fund

The Board of Education has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Fund (Exhibit H-2) as an expendable trust fund.

The Unemployment Compensation Insurance Fund was in satisfactory condition.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under audit did not indicate any material noncompliance with respect to signatures and certifications.

Financial Planning, Accounting and Reporting (Continued)

Payroll Account

The net salaries of all employees of the District 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/Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Payrolls were delivered to the secretary of the board with a warrant made to his order for the full amount of each payroll.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators to the NJ Department of Treasury was filed by the March 15 due date.

The payroll records were maintained in satisfactory condition.

Employee Position Control Roster

No exceptions were noted during my examination of the Employee Position Control Roster.

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. My review did not indicate any material discrepancies to the classification of orders.

Obligations of Federal Grant Awards and Requests for Reimbursement of Expenditures against those Federal Grant Awards

No exceptions were noted during my examination of obligations of federal grant awards and requests for reimbursement of expenditures against those federal grant awards made during the period under audit.

Travel

No exceptions were noted in my study of compliance for travel expenses.

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 my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. In addition to randomly selecting a test sample, my sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.2*. My review did not indicate any material discrepancies with respect to classification of expenditures.

Board Secretary/School Business Administrator's Records

The financial and accounting records of the Board Secretary/School Business Administrator's office were maintained in satisfactory condition. It was noted that the Board Secretary Report, Cash Balances Report, Report of Transfers, and Corrective Action Plan were not filed with the County Office by August 1, 2019. Subsequently, all of these reports were filed with the County Office.

Also, the following items were noted.

Finding #2019-001:

The district transferred from Special Education – Basic Skills an amount that on a cumulative basis exceeded 10 percent of the total amount of Special Education – Basic Skills included in the original budget without proper department approval.

Recommendation:

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount.

Finding #2019-002:

The Borough tax levy was not paid in full as of June 30, 2019 as required by R.S. 54:4-75.

Recommendation:

None, as the School District had made every effort to collect the required school tax levy in full prior to June 30, 2019 and the tax levy was received on July 31, 2019.

Treasurer's Records

The Treasurer's position was eliminated effective September 30, 2018.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./ESSA 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, Title IIA, Title III, and Title VI of the Elementary and Secondary Education Act as amended and reauthorized.

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.

My 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

My 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 amount of the expenditure charged to the current year's Final Reports 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

Nonpublic State Aid

Not Applicable.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 \$19,000.

The School District 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.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements 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, as amended.

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

School Food Service

For the fiscal year ended June 30, 2019, the School District expended less than \$100,000 in federal and/or state funds for its Child Nutrition Program.

Student Body Activities

The financial records for the Student Activity Fund were maintained in good condition.

Application for State School Aid

My audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. I also performed a review of the District procedures related to its completion.

Application for State School Aid (Continued)

The information on the A.S.S.A. was compared to the District workpapers with no exceptions noted. The results of my 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

My audit procedures included a test of on roll status reported in the 2018-2019 District Report of Transported Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of my procedures are presented in the Schedule of Audited Enrollments.

My procedures included a review of transportation related contracts and purchases. Based on my review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in my review of transportation related purchases of goods and services.

Facilities and Capital Assets

Not Applicable.

Testing for Lead of all Drinking Water in Educational Facilities

The School District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

Follow-up on Prior Years' Findings

In accordance with government auditing standards, my procedures included a review of all prior year recommendations including findings. Corrective action was taken on the prior year findings.

Acknowledgment

I received the complete cooperation of all the officials of the school district and I greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

INVERSO & STEWART, LLC



Robert P. Inverso
Certified Public Accountant
Public School Accountant

November 19, 2019

SCHEDULE OF AUDITED ENROLLMENTS

Weat Cape May School District

Application for State School Aid Summary

Enrollment as of October 15, 2018

	<u>2019-2020 Application for State School Aid</u>						<u>Sample for Verification</u>						<u>Private Schools for Disabled</u>			
	<u>Reported on ASSA On Roll</u>		<u>Reported on Workpapers On Roll</u>		<u>Errors</u>		<u>Sample Selected From Workpapers</u>		<u>Verified per Registers On Roll</u>		<u>Errors per Registers On Roll</u>		<u>Reported on ASSA as Private Schools</u>	<u>Sample for Veri- cation</u>	<u>Sample Varified</u>	<u>Sample Errors</u>
	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>				
Half Day Pre K 4	9		9				9		9							
Full Day K	15		15				15		15							
One	13		13				13		13							
Two	12		12				12		12							
Three	12		12				12		12							
Four	16		16				16		16							
Five	7		7				7		7							
Six	11		11				11		11							
Subtotal	95	-	95	-	-	-	95	-	95	-	-	-	-	-	-	-
SpEd Elementary	2		2				2		2							
SpEd Middle School	1		1				1		1			1	1	1		
Subtotal	3	-	3	-	-	-	3	-	3	-	-	1	1	1		-
Totals	98	-	98	-	-	-	98	-	98	-	-	1	1	1		-
Percentage Error					0.00%	-0-					0.00%	-0-			-0-	-0-

Schedule of Audited Enrollments

Weat Cape May School District

Application for State School Aid Summary

Enrollment as of October 15, 2018

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Pre K 3						
Half Day Pre K 4						
Full Day K						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SpEd Elementary						
SpEd Middle School						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>-</u></u>			<u><u>-</u></u>

Schedule of Audited Enrollments

Weat Cape May School District

Application for State School Aid Summary

Enrollment as of October 15, 2018

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full Day K	4	4		4	4							
One	2	2		2	2							
Two	3	3		3	3		1	1		1	1	
Three	2	2		2	2							
Four	2	2		2	2							
Five	1	1		1	1							
Six	2	2		2	2							
	<u>16</u>	<u>16</u>	<u>-</u>	<u>16</u>	<u>16</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
SpEd Elementary												
SpEd Middle School												
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Totals	<u>16</u>	<u>16</u>	<u>-</u>	<u>16</u>	<u>16</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Percentage Error			<u>-</u>			<u>-</u>			<u>-</u>			<u>-</u>
Transportation												
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors			Reported	Recalculated		
Reg. Public School , col. 1	3	3		3	3							
Reg. Special Education, col. 4												
Transported-Non-Public, col. 2	1	1		1	1							
Special Needs, Col. 6	1	1		1	1							
	<u>5</u>	<u>5</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>						
Percentage Error			<u>-</u>			<u>-</u>						

	<u>Reported</u>	<u>Recalculated</u>
Avg. Mileage - Regular Including Grade PK st	4.6	4.6
Avg. Mileage - Regular Excluding Grade PK s	4.6	4.6
Avg. Mileage - Special Ed. with Special Need:	37.7	37.7

WEST CAPE MAY SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

SECTION 1 - Regular Districts

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex C-1	\$ <u>1,973,596</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>(237,021)</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)+(B2s)]	\$ <u>1,736,575</u>	(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ <u>34,732</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment	\$ _____	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ <u><u>250,000</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-19 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,018,044</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>5,101</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>134,318</u>	(C3)
Other Restricted Fund Balances	\$ <u>488,736</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		\$ <u><u>389,889</u></u> (U1)

WEST CAPE MAY SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

SECTION 3 - All Districts

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE ENTER -0- \$ 139,889 (E)

Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>134,318</u>	(C3)
Reserved Excess Surplus [(E)]	\$ <u>139,889</u>	(E)
 Total [(C3) + (E)]	 \$ <u>274,207</u>	 (D)

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Current Year School Bus Advertising Revenue	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$ _____	 (K)

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ <u>398,736</u>
Maintenance reserve	\$ <u>70,000</u>
Emergency reserve	\$ <u>20,000</u>
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 reserves	\$ _____
 Other Restricted Fund Balance not noted above	 \$ _____
 Total Other Restricted Fund Balance	 \$ <u>488,736</u> (C4)

AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2019

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount.

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

Corrective action was taken on the prior year findings.