

**CUMBERLAND COUNTY BOARD OF  
VOCATIONAL EDUCATION**

**Bridgeton, 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  
Cumberland County Board of Vocational Education  
County of Cumberland, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Cumberland County Board of Vocational Education, component unit of Cumberland County, for the year ended June 30, 2017, and have issued our report thereon dated November 27, 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 Cumberland County Board of Vocational 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.

Respectfully submitted,



Samuel A. Delp, Jr.  
Public School Accountant #745  
Triantos & Delp, CPA, LLC  
Certified Public Accountants

November 27, 2017

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, 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>
Gene Mercoli	Business Administrator	\$175,000.
Walter Pudelko	Treasurer until 11/30/16	195,000.
Christopher Russo	Treasurer started 12/1/16	

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$100,000.

**Finding 2017-01:**

The new treasurer appointed as of 12/1/16 did not have the required surety bond coverage. (N.J.S.A. 18A:17-16, 18A:17-32, 18A:13-13)

**Recommendation:**

Surety bond coverage be maintained on the treasurer as required.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

An examination of claims paid during the period under review did not reveal any discrepancies with respect to signatures, certification or supporting documentation, except as noted:

**Finding 2017-02:**

We noted that certain items that were paid by electronic payment were not included in the minutes and approved by the Board.

**Recommendation:**

All bills for payment should be included in the bill list and approved by the Board and so noted in the minutes.

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.

Payroll Account (Continued)

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.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

Reserve for Encumbrances, Liability (Current) 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 a separate listing of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances.

Classification of Expenditures

The coding of expenditures were tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-2.4*. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

- A. General Classification Findings:  
None
  
- B. Administrative Classification Findings:  
None

Board Secretary's Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in satisfactory condition.

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating account, payroll account or payroll agency account (*N.J.S.A. 18A:17-36*).

All cash receipts were promptly deposited.

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

The Treasurer's cash balance for the general operating account was in agreement with the reconciled cash balance as determined during the audit.

Elementary and Secondary Education Act, (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as Re-Authorized by the No Child Left Behind Act of 2001.

The E.S.E.A./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 and IIA of the Elementary and Secondary Education Act as amended and re-authorized.

The study of compliance for E.S.E.A. indicated no areas of noncompliance.

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 projects indicated no area of noncompliance and/or questioned costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of 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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 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 PROGRAM

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- a. Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$7,500 or the amount determined pursuant to subsection b. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made, negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore.
- b. Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection a. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and Philadelphia area as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1 of the year in which it is reported.

## SCHOOL PURCHASING PROGRAM

(Cont'd)

### Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price thereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement."

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 \$18,800.

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 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 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.

The results of my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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 program was not selected as a major federal and/or State program and has not exceeded \$100,000 in federal and/or State support.

### Student Body Activities

During our review of the student activity funds, the following items were noted:

Cash receipts and disbursements records were maintained in good order.

Dual signatures are required on all bank accounts.

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 handicapped, 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 the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Follow-Up on Prior Years' Findings

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

Respectfully submitted,



Samuel A. Delp, Jr.  
Licensed Public School Accountant, #745  
Triantos & Delp  
Certified Public Accountants, LLC

November 27, 2017



SCHEDULE OF AUDITED ENROLLMENTS

CUMBERLAND COUNTY BOARD OF VOCATIONAL EDUCATION  
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 A.S.S.A. On Roll		Workpapers		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification		Sample Verified		Sample Errors			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Full Day Kindergarten	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
One																						
Two																						
Three																						
Four																						
Five																						
Six																						
Seven																						
Eight																						
Nine																						
Ten																						
Eleven																						
Twelve																						
Subtotal	52	73	52	73	0	0	52	73	52	73	0	0	52	73	52	73	0	0	0	0	0	0
Special Ed - Elementary	52	73	52	73	0	0	52	73	52	73	0	0	52	73	52	73	0	0	0	0	0	0
Special Ed - Middle School																						
Special Ed - High School																						
Subtotal	220	231	220	231	0	0	220	231	220	231	0	0	220	231	220	231	0	0	0	0	0	0
Co. Voc. - Regular	50	0	50	0	0	0	50	0	50	0	0	0	50	0	50	0	0	0	0	0	0	0
Co. Voc. Ft. Post Sec.	322	304	322	304	0	0	322	304	322	304	0	0	322	304	322	304	0	0	0	0	0	0
Totals																						
Percentage Error	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	

SCHEDULE OF AUDITED ENROLLMENTS

CUMBERLAND COUNTY BOARD OF VOCATIONAL EDUCATION  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 14, 2016

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Errors	Verified to Application and Register	Sample Selected from Workpapers	Errors	Sample	Reported on A.S.S.A. as LEP low Income	Errors	Sample Selected from Workpapers	Errors	Sample	Verified to Test Score and Register
Full Day Kindergarten												
One	0	0	0	0	0	0	0	0	0	0	0	0
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	44.5	44.5	0	35.0	35.0	35.0	0	0	0	0	0	0
Special Ed - Elementary												
Special Ed - Middle												
Special Ed - High												
Subtotal	163.0	164.0	-1	119.0	119.0	119.0	0	0	0	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	207.5	208.5	-1	154.0	154.0	154.0	0	0	0	0	0	0
Percentage Error			-0.48%							0.00%		0.00%

Transportation

	Reported on DRTS by DOE/county			Reported on DRTRS by District			Tested			Verified			Errors			
	Reported on	Errors	Verified to Application and Register	Sample Selected from Workpapers	Errors	Sample	Reported on	Errors	Verified to Application and Register	Sample Selected from Workpapers	Errors	Reported on	Errors	Verified to Application and Register	Sample Selected from Workpapers	Errors
Reg. - Public Schools, col. 1	N/A	N/A	0	N/A	N/A	N/A	N/A	N/A	0	0	0	N/A	N/A	0	0	0
Reg -SpEd, col. 4																
Transported - Non-Public, col. 3																
Special Ed Spec, col. 6																
Totals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Percentage Error																

Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)  
 Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part B)  
 Spec Avg. = Special Ed with Special Needs

Reported Recalculated  
 N/A  
 If Applicable  
 N/A

SCHEDULE OF AUDITED ENROLLMENTS

CUMBERLAND COUNTY BOARD OF VOCATIONAL EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	Resident LEP NOT Low Income	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten							
One							
Two							
Three							
Four							
Five							
Six							
Seven							
Eight							
Nine							
Ten							
Eleven							
Twelve							
Subtotal	0	0	0	0	0	0	0
Special Ed - Elementary							
Special Ed - Middle							
Special Ed - High							
Subtotal	0	0	0	0	0	0	0
Co. Voc. - Regular							
Co. Voc. Ft. Post Sec.							
Totals	0	0	0	0	0	0	0
Percentage Error				0.00%			0.00%

CUMBERLAND COUNTY BOARD OF VOCATIONAL EDUCATION  
EXCESS SURPLUS CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION 1**

**A: 2% Calculation of Excess Surplus:**

2016-2017 Total General Fund Expenditures per the CAFR Exhibit C-1	<u>\$10,996,009.</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>0.</u> (B1b)
Transfer from General Fund to SRF for Pre-K-Regular	<u>0.</u> (B1c)
Transfer from General Fund to SRF for Pre-K-Inclusion	<u>0.</u> (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>880,742.</u> (B2a)
Assets Acquired Under Capital Leases	<u>0.</u> (B2b)
Adjusted 2015-2016 General Fund Expenditures (B)+(B1s)-(B2s)	<u><u>10,115,267.</u></u> (B3)
6% of Adjusted 2016-2017 General Fund Expenditures (B3) x.06	<u>606,916.</u> (B4)
Enter Greater of (B4) or \$250,000.	<u>606,916.</u> (B5)
Increased by: Allowable Adjustment*	<u>0.</u> (K)
Max. Unassigned/Undesignated-Unreserved Fund Balance (B5)+(K)	<u><u>\$606,916.</u></u> (M)

**SECTION 2:**

Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 6,110,293.</u> (C)
Decreased by:	
Year-End Encumbrances	<u>26,728.</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	<u>0.</u> (C2)
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures **	<u>1,686,189.</u> (C3)
Other Restricted Fund Balances****	<u>1,863,907.</u> (C4)
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	<u>0.</u> (C5)
Total Unassigned Fund Balances [(C)-(C1)-(C2)-(C3)-(C4)-C5]	<u><u>\$2,533,469.</u></u> (U1)

CUMBERLAND COUNTY BOARD OF VOCATIONAL EDUCATION  
EXCESS SURPLUS CALCULATION  
FOR THE YEAR ENDED JUNE 30, 2017

**SECTION 3:**

Restricted Fund Balance-Excess Surplus ***[(U)-(M)] IF NEGATIVE ENTER 0	<u>\$1,926,553. (E)</u>
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**Recapitulation of Excess Surplus as of June 30, 2017**

Restricted Excess Surplus-Designated for Subsequent Year's Expenditures **	<u>1,686,189. (C3)</u>
Reserved Excess Surplus *** ( E )	<u>1,926,553. (E)</u>
Total Excess Surplus [(C3)+( E )]	<u><u>\$3,612,742. (D)</u></u>

**Detail of Allowable Adjustments**

Impact Aid	<u>\$ 0. (H)</u>
Sale & Lease-Back	<u>0. (I)</u>
Extraordinary Aid	<u>0. (J1)</u>
Additional NonPublic School Transportation Aid	<u>0. (J2)</u>
Current Year School Bus Advertising Revenue Recognized	<u>0. (J3)</u>
Family Crisis Transportation Aid	<u>0. (J4)</u>
Total Adjustments (H)+(I)+(J1)+(J2)+(J3)+(J4)	<u><u>\$0. (K)</u></u>

**Detail of Other Reserved Fund Balance**

**Statutory restrictions:**

Approved unspent separate proposal	<u>\$ 0.</u>
Sale/lease-back reserve	<u>0.</u>
Capital reserve	<u>1,536,773.</u>
Maintenance reserve	<u>327,134.</u>
Emergency reserve	<u>0.</u>
Tuition reserve	<u>0.</u>
School Bus Advertising 50% Fuel Offset Reserve-current year	<u>0.</u>
School Bus Advertising 50% Fuel Offset Reserve-prior year	<u>0.</u>
Impact Aid General Fund Reserve (Sections 8002 and 8003)	<u>0.</u>
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	<u>0.</u>
Other state/government mandated reserve	<u>0.</u>
(Other Restricted Fund Balance not noted above) ****	<u>0.</u>
Total Other Restricted Fund Balance	<u><u>\$1,863,907. (C4)</u></u>

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

**Recommendations:**

1. Administrative Practices and Procedures

**Finding 2017-01:**

The new treasurer appointed as of 12/1/16 did not have the required surety bond coverage. (N.J.S.A. 18A:17-16, 18A:17-32, 18A:13-13)

**Recommendation:**

Surety bond coverage be maintained on the treasurer as required.

2. Financial Planning, Accounting and Reporting

**Finding 2017-02:**

We noted that certain items that were paid by electronic payment were not included in the minutes and approved by the Board.

**Recommendation:**

All bills for payment should be included in the bill list and approved by the Board and so noted in the minutes.

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. Miscellaneous

None

10. Status of Prior Year Findings/Recommendations

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