

OCEAN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT

Toms River, New Jersey
County of Ocean

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

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

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

Honorable President and Members
of the Board of Education
Ocean County Vocational-Technical School District
County of Ocean
Toms River, New Jersey 08753

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 Ocean County Vocational-Technical School District in the County of Ocean for the year ended June 30, 2017, and have issued our report thereon dated November 20, 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 Ocean County Vocational-Technical School District'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,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Toms River, New Jersey
November 20, 2017

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**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 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 School District's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Frank J. Frazee	Board Secretary/School Business Administrator	\$100,000
Debra L. Ness	Treasurer	\$250,000

There is a Public Dishonesty Blanket Bond covering all other employees with coverage of \$25,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District made a proper adjustment to the billings to sending districts for the decrease in per pupil cost in accordance with *N.J.A.C.6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of sampled employees of the board were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

Sampled payrolls were approved by the Superintendent and were certified by the President of the Board and the School Business Administrator/Board Secretary.

Financial Planning, Accounting and Reporting (continued)

Payroll Account (continued)

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to their order for the full amount of each payroll.

Employee Position Control Roster

A sample inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23 A-16.29(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of a sample of 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-8.3*. As a result of the procedures performed, a transaction error rate of zero percent overall was noted 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 were found to be in satisfactory condition.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer of School Monies were found to be in satisfactory condition.

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

The E.S.E.A. / N.C.L.B. 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The School 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 sample 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 sample test of the biweekly reimbursements 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. 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 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 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 Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at: http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headigswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

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 for 2016-17. The District had a Qualified Purchasing Agent during the year.

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.

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

Based on the results of our tests on sample basis, we 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*.

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

School Food Service

The school food service program was not selected as a major federal and/or state program and program expenditures did not exceed \$100,000 in federal and/or state support.

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

Student Body Activities

Our review of the financial and accounting records for student activities indicated they were in satisfactory condition.

Application for State School Aid (ASSA)

Our audit procedures included a sample test of information reported in the October 15, 2016 Application for State School Aid (A.S.S.A.) for on-roll, low-income and bilingual. We also performed a review on a sample basis of the School District's procedures related to its completion. The information on the ASSA was compared to the School 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 School District maintained workpapers on the prescribed state forms of their equivalent.

The School District written procedures appear to be adequate for the recording of student enrollment data.

Facilities and Capital Assets

Our review of the financial and accounting records for capital assets indicated they were in satisfactory condition.

Miscellaneous

The School District complied with its most recent continuing disclosure agreements in relation to prior year bond issuances.

Follow-up on Prior Year Findings

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year findings reported in the prior year's Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance. There were no prior year findings.

Office of Fiscal Accountability and Compliance (OFAC) Findings

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the fiscal year ended June 30, 2017.

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,

HOLMAN FRENIA ALLISON, P.C.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Toms River, New Jersey
November 20, 2017

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ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS

**OCEAN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

2017-2018 Application for State School Aid		Sample for Verification				Resident Low Income						
Reported on A.S.A. On Roll		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.A. as Low Income		Sample for Verification		
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Selected from Workpapers	Sample Verified to Application and Register Errors	
14	603	14	603	3	67	3	67	-	238	238	78	78
14	603	14	603	3	67	3	67	-	238	238	78	78
589	884	589	884	54	94	54	94	-	335	335	119	119
687	-	687	-	73	-	73	-	-	-	-	-	-
1,290	1,487	1,290	1,487	130	161	130	161	-	573	573	197	197

Percentage Error

Resident LEP Low Income		Sample for Verification			
Reported on A.S.A. as Low Income		Sample Selected from Workpapers		Verified to Application and Register Errors	
Full	Shared	Full	Shared	Full	Shared
1	1	1	1	1	1
1	1	1	1	1	1
4	4	4	3	3	3
-	-	-	-	-	-
5	5	5	4	4	4

Percentage Error

EXCESS SURPLUS CALCULATION

COUNTY VOCATIONAL DISTRICTS

SECTION 1

A. 6% Calculation of Excess Surplus (2016-2017 expenditures of \$100 million or less)

2016-2017 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>31,233,256</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u>-</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>257,433</u>	(B1b)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>(3,071,784)</u>	(B2a)
Assets Acquired Under Capital Leases:	\$	<u>-</u>	(B2b)
Adjusted 2016-2017 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$	<u><u>28,418,905</u></u>	(B3)
6% of Adjusted 2016-2017 General Fund Expenditures [(B3) times .06]	\$	<u>1,705,134</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>1,705,134</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>-</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u><u>1,705,134</u></u>	(M)

B. 6% Calculation of Excess Surplus (2016-2017 expenditures greater than \$100 million)

2016-2017 Total General Fund Expenditures	\$	<u>-</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)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>-</u>	(B2a)
Assets Acquired Under Capital Leases:	\$	<u>-</u>	(B2b)
Adjusted 2016-2017 General Fund Expenditures [(B)-(B1s)-(B2s)]	\$	<u><u>-</u></u>	(B3)
2016-2017 General Fund Expenditures in Excess of \$100 million [(B3) minus \$100,000,000]	\$	<u>-</u>	(B4)
3% of General Fund Expenditures in excess of \$100 [(B4) times .03]	\$	<u>-</u>	(B5)
(B5) Plus \$6,000,000	\$	<u>-</u>	(B6)
Increased by: Allowable Adjustment *	\$	<u>-</u>	(K)
Maximum Unassigned Fund Balance [(B6)+(K)]	\$	<u><u>-</u></u>	(M)

COUNTY VOCATIONAL DISTRICTS (continued)

SECTION 2

Total General Fund - Fund Balances @ 06-30-2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>3,471,748</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>(314,606)</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>-</u> (C3)
Other Restricted Fund Balances ****	\$ <u>(907,773)</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>(750,000)</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>1,499,369</u> (U)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U)-(M)] IF NEGATIVE ENTER -0-	\$ <u>-</u> (E)
--	-----------------

Recapitulation of Excess Surplus as of June 30, 2017

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>-</u> (C3)
Restricted Excess Surplus *** [(E)]	<u>-</u> (E)
Total Excess Surplus [(C3) + (E)]	<u><u>-</u></u> (D)

Footnotes:

* 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 Aid and Transportation Aid; and School Bus Advertising Revenue Recognized during the current year. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

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

** This amount represents the June 30, 2016 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 Audit Summary Worksheet Line 90030.

COUNTY VOCATIONAL DISTRICTS (continued)

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ <u> -</u>
Sale/Lease-Back Reserve	\$ <u> -</u>
Capital Reserve	\$ <u> 100,773</u>
Maintenance Reserve	\$ <u> 807,000</u>
Emergency Reserve	\$ <u> -</u>
Tuition Reserve	\$ <u> -</u>
School Bus Advertising 50% Fuel Offset Reserve – current year	\$ <u> -</u>
School Bus Advertising 50% Fuel Offset Reserve – prior year	\$ <u> -</u>
Impact Aid - General Fund Reserve	\$ <u> -</u>
Impact Aid - Capital Projects Fund Reserve	\$ <u> -</u>
Other State/Government Mandated Reserve	\$ <u> -</u>
{Other Restricted Fund Balance Not Noted Above} ****	\$ <u> -</u>
 Total Other Restricted Fund Balance	 \$ <u> 907,773</u> (C4)

**** 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 Finance prior to September 30.

**OCEAN COUNTY VOCATIONAL-TECHNICAL SCHOOL DISTRICT
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
There were no prior year findings.