

**BERGEN COUNTY SPECIAL SERVICES
SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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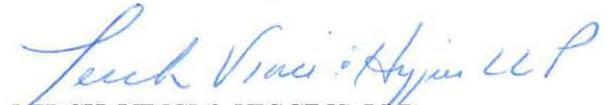
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Honorable President and
Members of the Board of Education
Bergen County Special Services School District
Paramus, New Jersey

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 Bergen County Special Services School District as of and 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 Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of management, the Board of Education, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 18, 2019

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John Susino	Business Administrator/Board Secretary	\$ 10,000
Peter Bellani	Accounting Manager	10,000

All employees are covered by a blanket position bond and are part of the County of Bergen's Insurance Fund.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were more than estimated costs. The Board made a proper adjustment to the billings to sending districts for the increase in per pupil costs in accordance with NJAC 6A:23-3.1(f)3.

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.

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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 payroll taxes were deposited in the Payroll Agency Account.

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

Finding – Pension withholdings from employees retroactive salary payments were not remitted to the Division of Pensions. Furthermore, quarterly pension filings were not always in agreement with the District's payroll records.

Recommendation – The District remit all employee pension withholdings on a timely basis and quarterly pension reports be reconciled to District payroll records.

Employee Position Control Roster

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

Human Resources

Our audit noted certain individuals were receiving health and/or dental benefits after separation of employment from the District. The District is in the process of reviewing all individuals on the health and dental benefit bills to ensure only eligible employees eligible to receive such benefits. Furthermore, no recommendation is not warranted.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

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 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. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

The original budget per the budget appropriation report did agree to the appropriations reflected in the adopted budget.

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 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. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement 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 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 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

Effective July 1, 2015, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and N.J.S.A. 18A:18A-3(a) (as amended) are \$40,000 and \$29,000 respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000. The Board has designated the Purchasing Manager as the qualified purchasing agent.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board 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.

The results of our examination indicated no instances where 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.

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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. Our examination did reveal, however, that purchases were made through the use of State contracts. However, the District does follow a rigorous policy where all purchases are publicly bid, quoted or bought through the use of state contracts.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or 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.

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

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will incur a loss of not more than \$80,000. The operating results provision has been met. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service account and reconciled to supporting documentation at least annually.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records, as detailed on the Schedule of Meal Activity.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Regional Day School

The Board operates one Regional Day School as part of an agreement with the State of New Jersey.

Scholarship Accounts

The Board maintains scholarship accounts which are included in the Trust and Agency Fund.

Cash receipts and disbursements records for the accounts were maintained in good condition.

Cash disbursements reviewed had proper supporting documentation.

Student Activity Accounts

The Board has a policy which clearly established the regulation of student activity funds. Cash receipts and disbursements records for the District's student activity funds were maintained in satisfactory condition.

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 students on-roll 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.

Pupil Transportation

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Suggestion to Management

Continued efforts be made to ensure only eligible employees receive health/dental benefits.

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
National School Lunch (Regular Rate)	Paid	15,020	15,020	15,020	-		-
	Reduced	4,069	4,069	4,069	-		-
	Free	<u>30,022</u>	<u>30,022</u>	<u>30,022</u>	<u>-</u>		<u>-</u>
	Total Lunch	<u>49,111</u>	<u>49,111</u>	<u>49,111</u>	<u>-</u>		<u>-</u>
School Breakfast (Regular)	Paid	4,564	4,564	4,564	-		-
	Reduced	2,449	2,449	2,449	-		-
	Free	<u>26,837</u>	<u>26,837</u>	<u>26,837</u>	<u>-</u>		<u>-</u>
	Total Breakfast	<u>33,850</u>	<u>33,850</u>	<u>33,850</u>	<u>-</u>		<u>-</u>
TOTAL		<u><u>82,961</u></u>	<u><u>82,961</u></u>	<u><u>82,961</u></u>	<u><u>-</u></u>		<u><u>-</u></u>

NET CASH RESOURCE SCHEDULE
BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
Proprietary Funds - Food Service
FYE 2018

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	108,514
B-4		Due from Other Gov'ts	15,374
B-4		Accounts Receivable	-
B-4		Investments	
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(39,309)
B-4		Less Accruals	
B-4		Less Due to Other Funds	-
B-4		Less Deferred Revenue	-
		Net Cash Resources	<u><u>84,579</u></u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	477,876	
B-5	Less Depreciation	-	
	Adj. Tot. Oper. Exp.	<u><u>477,876</u></u>	(B)

Average Monthly Operating Expense:

B / 10	<u><u>47,788</u></u>	(C)
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Three times monthly Average:

3 X C	<u><u>143,363</u></u>	(D)
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TOTAL IN BOX A	\$	<u>84,579</u>			
LESS TOTAL IN BOX D	\$	<u>143,363</u>			
NET	\$	<u><u>(58,784)</u></u>			

From above:

A is greater than D, cash exceeds 3 X average monthly operating expenses.
D is greater than A, cash does not exceed 3 X average monthly operating expenses.

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

**BERGEN COUNTY SPECIAL SERVICES
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017**

	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Half Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
1st Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2nd Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
3rd Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
4th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
7th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
8th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
9th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Spec Ed - Elementary	179	-	179	-	-	-	179	-	179	-	-	-	-	-	-	-	
Spec Ed - Middle School	113	-	113	-	-	-	113	-	113	-	-	-	-	-	-	-	
Spec Ed - High School	311	21	311	21	-	-	311	21	311	21	-	-	-	-	-	-	
Subtotal	603	21	603	21	-	-	603	21	603	21	-	-	-	-	-	-	
Totals	603	21	603	21	-	-	603	21	603	21	-	-	-	-	-	-	
Percentage Error					<u>0.00%</u>						<u>0.00%</u>					<u>0.00%</u>	

BERGEN COUNTY SPECIAL SERVICES
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	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	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
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
1st Grade	-	-	-	-	-	-	-	-	-	-	-	-
2nd Grade	-	-	-	-	-	-	-	-	-	-	-	-
3rd Grade	-	-	-	-	-	-	-	-	-	-	-	-
4th Grade	-	-	-	-	-	-	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	93.0	93.0	-	20.0	20.0	-	-	-	-	-	-	-
Spec Ed - Middle School	67.0	67.0	-	14.0	14.0	-	-	-	-	-	-	-
Spec Ed - High School	118.5	118.5	-	25.0	25.0	-	-	-	-	-	-	-
Subtotal	278.5	278.5	-	59.0	59.0	-	-	-	-	-	-	-
Totals	<u>278.5</u>	<u>278.5</u>	<u>-</u>	<u>59.0</u>	<u>59.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	-	-	-			-
Transported - Non-Public			-			-
Regular - Spec.	-	-	-			-
Special Needs - Public			-			-
Totals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**BERGEN COUNTY SPECIAL SERVICES
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017**

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
1st Grade	-	-	-	-	-	-
2nd Grade	-	-	-	-	-	-
3rd Grade	-	-	-	-	-	-
4th Grade	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**BERGEN COUNTY SPECIAL SERVICES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that the District remit all employee pension withholdings on a timely basis and quarterly pension reports be reconciled to District payroll records.

III. School Purchasing Program

There are none.

IV. Food Service Fund

There are none.

V. Internal Service Fund

There are none.

VI. Student Body Activities

There are none.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Status of Prior Years' Audit Findings/Recommendations

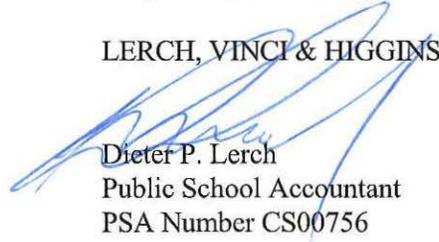
A review was performed on prior years' recommendations and corrective action was taken on all prior year findings.

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch
Public School Accountant
PSA Number CS00756