

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
TOWNSHIP OF MOUNT OLIVE
COUNTY OF MORRIS, NEW JERSEY
JUNE 30, 2014**

SCHOOL DISTRICT OF THE TOWNSHIP OF MOUNT OLIVE
COUNTY OF MORRIS, NEW JERSEY

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

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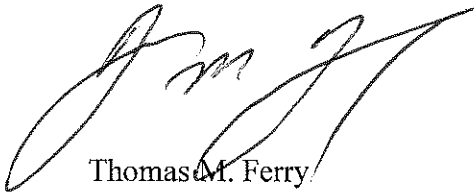
REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Township of Mount Olive School District
County of Morris, 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 Township of Mount Olive School District in the County of Morris for the year ended June 30, 2014, and have issued our report thereon dated December 2, 2014.

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 Township of Mount Olive Board of 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.



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Certified Public Accountants

Newton, New Jersey

December 2, 2014



TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Scope of Audit

The audit covered the financial transactions of the Board Secretary, School Business Administrator, and the 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

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

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Lynn Jones	Board Secretary	\$ 30,000.00
Sherry Maniscalco	Treasurer of School Monies	400,000.00

There is a Blanket Employee Dishonesty Bond with the School Excess Liability Joint Insurance Fund covering all other employees with multiple coverage of \$500,000.00 per occurrence.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was not made. The actual costs were less than the estimated costs. The District made proper adjustment to the billings to sending Districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23-3.1 (f)3.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Financial Planning, Accounting and Reporting

Examination of Claims

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

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.

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 including health benefits premium withholding due to the General Fund.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to her order for the full amount of each payroll.

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

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th for goods not yet received or services not 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 priority and to determine that goods were received and services were rendered as of June 30, 2014.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Financial Planning, Accounting and Reporting (continued)

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. 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 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The Board Secretary's records were in satisfactory condition.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer disclosed no exceptions.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Elementary and Secondary Education ACT (E.S.E.A.)/Improving America's School 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, II, and III of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. by the State of New Jersey Department of Education indicated the following areas of noncompliance and/or questionable costs:

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YEAR ENDED JUNE 30, 2014

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

Finding 2014-01:

The District's use of Title I funds for tuition for the K Excel program provided by a third-party provider to Title I and non-Title I students supplanted state and local funds. The K Excel program does not provide Title I students with instructional interventions and strategies above and beyond those non-Title I students are receiving.

Recommendation:

The District must reverse the Title I K Excel Program tuition costs and allocate state/local funds for the tuition for the K Excel Program. The District must provide evidence of the adjusting journal entry to the NJDOE for review.

Management Response:

The District will reverse the Title I K Excel Program tuition costs and allocate state/local funds for the tuition for the K Excel Program. The District will provide evidence of the adjusting journal entry to the NJDOE for review.

Finding 2014-02:

The District's Title I program is not supplemental to its state/locally funded elementary Basic Skill Instruction (BSI) program. The District provided the same services for students attending non-Title I elementary schools and students attending Title I elementary schools. As required by Legislation, Title I students must receive academic services that are above and beyond the academic services provided in non-Title I schools.

Recommendation:

The District can conduct the BSI program in its elementary schools using state/local funds. To avoid violating the "supplement not supplant" provision of the Title I legislation, the District must provide the state/locally funded BSI program to students in its Title I schools and Title I funded services that supplement the BSI program. The District must provide a copy of its revised Title I program in narrative form to the NJDOE for review.

Management Response:

Amendment to 2013-2014 NCLB grant written and approved moving all Title I funding to the Mount Olive Middle School BSI program eliminating any possible supplant issued.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

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

Finding 2014-03:

The District's use of Title I funds to pay for the salaries and benefits of two BSI teachers and associated instructional supplies at Tinc Road and Chester M. Stephens Elementary Schools supplanted state/local funds.

Recommendation:

The District must reverse the Title I costs for the salaries and benefits for the two BSI teachers and associated instructional supplies at Tinc Road and Chester M. Stephens Elementary Schools and allocate state/local funds for those costs. The District must provide evidence of the adjusting journal entry to the NJDOE for review.

Management Response:

The District will reverse the Title I costs of the salaries and benefits for the two BSI teachers and associated instructional supplies at Tinc Road and Chester M. Stephens Elementary Schools and allocate state/local funds for those costs. The District will provide evidence of the adjusting journal entry to the NJDOE for review.

Finding 2014-04:

The Title I participation letter informing the Title I parents of the Title I program did not clearly state the specific multiple measures used as entrance and exit criteria for the program. Without this information, parents are unable to understand the reasons for their child being selected to participate in the Title I program, and what is needed for their child to exit the program.

Recommendation:

In its Title I participation letter, the District must include the multiple measures including both entrance and exit criteria used to identify the students. The District must provide a copy of its revised FR 2014-2015 Title I participation letter to the NJDOE for review.

Management Response:

The NCLB Project Director will revise the participation letter to make entrance and exit criteria clear.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
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YEAR ENDED JUNE 30, 2014

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

Finding 2014-05:

The District did not provide evidence that multiple educationally related, objective criteria were consistently applied to determine which students were eligible to receive Title I services. The monitors were unable to verify if the District is actually serving its lowest performing students and that all students receiving services actually met the eligibility criteria.

Recommendation:

The District must establish a tracking mechanism for proper Title I student identification that is aligned to the multiple educationally, objective criteria. This mechanism must include documentation of which criteria were applied and how the student either met or did not meet the established criteria.

Management Response:

The District currently uses multiple methods for determining entrance and exit criteria for students including and not limited to NJASK scores, entrance assessments, classwork, and teacher recommendations. Examples of this documentation will be forwarded with completed report for further review.

Finding 2014-06:

Condition:

The District did not have a parental involvement program that reflected the requirements of Title I legislation. There is no evidence that the Districts' parental involvement policy was reviewed and board adopted since February 2013 and no evidence of school-level parental involvement policies. No evidence was provided that the District's parental involvement policy was developed in conjunction with parents. The annual review and current board adoption allows parents/guardian to impact the parental involvement process and identify the unique needs of the Title I schools and parents of Title I students.

Recommendation:

The District must have a written district parental involvement policy evaluated annually with the current board adoption along with school-level parental involvement policies. For FY 2014-2015, Title I parents and associated stakeholders must be included in the development process of both the District and the school-level parental involvement policies. Copies of a recent board approved district parental involvement policy and school-level parental involvement policies must be submitted to the NJDOE for review. Evidence of the annual review must be documented with meeting agenda, sign in sheets and minutes and should be indicated at the bottom of the document.

Management Response:

The District will have a written district parental involvement policy evaluated annually with current board adoption policy along with Middle School parental involvement policy.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

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

Finding 2014-07:

For FY 2013-2014, the District did not provide evidence that the school-parent compact was developed in conjunction with Title I parents. The absence of parent participation in developing these required documents excludes parents from more active participation in their child's educational program.

Recommendation:

The District must develop a school-parent compact in conjunction with parents and the associated stakeholder groups in the development process for FY 2014-2015. For FY 2014-2015, the District must provide evidence to NJDOE that Title I parents/guardians are included in the development process.

Management Response:

The District will re-evaluate its current school-parent compact and provide evidence of parental involvement.

Finding 2014-08:

For FY 2013-2014, the District did not provide evidence of convening an annual Title I parent meeting that met with the legislative requirements. Not conducting an annual meeting to explain the Title I legislation and the District's Title I programs in the beginning of the year does not allow parents of identified Title I students to be informed and vested in the Title I process from the start.

Recommendation:

The District must convene its FY 2014-2015 annual Title I meeting for the parents/guardians of its identified Title I students no later than mid-October. The District must provide documentation of the meeting (e.g. invitational letter/flyer, agenda, meeting minutes, and sign in sheets) to the NJDOE for review.

Management Response:

The District will hold an annual Title I parent meeting and provide evidence in the form of announcement and sign in that meets the legislative requirements.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

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

Finding 2014-09:

The District's web page did not include Title I information such as the school-level parental involvement policies and a current version of the District parental involvement policy.

Recommendation:

The District must update the website to reflect current versions of the District and school-level parent involvement policies.

Management Response:

The District will add all appropriate Title I information (some as it is re-evaluated) from individual schools and add them to the District page.

Finding 2014-10:

Because the District did not contact nonpublic schools outside the District's attendance area that enroll resident students, the District reports zero nonpublic enrollment and low-income counts on the FY 2013-2014 ESEA Consolidated Application in Step One of the Title eligibility tab. The District's submission of zero nonpublic enrollment and low-income counts prevented the generation of an equitable participation share of funding for eligible resident nonpublic school students.

Recommendation:

For FY 2014-2015, the District must contact nonpublic schools within a 50 mile radius of the District no later than June 2014 to obtain enrollment and low-income data. The District must contact the nonpublic schools that enroll Mount Olive resident students to inform the schools of their opportunity to participate in the District's Title I program for the upcoming school year. After contacting nonpublic schools that enroll resident students, the District must then begin the consultation process with the nonpublic schools to identify eligible students and develop a service delivery plan. The District must send documentation of the consultation process (e.g. invitational letters, agendas, meeting notes, sign in sheets) to NJDOE for review.

Management Response:

Mount Olive did in fact contact nonpublic schools outside the District's attendance area that enrolls resident students. The zero in the enrollment counts section of the Application reflected the number of positive respondents to the request. That error was corrected and the new application (2014-15) reflects the current zero count correctly. Documentation for last year's enrollment efforts as well as this year's are attached. Both again produced zero respondents.

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YEAR ENDED JUNE 30, 2014

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

Finding 2014-11

The District did not have adequate supporting documents as required by federal law to verify the activity of the Literacy Supervisor partially funded with Title II funds. The documentation provided did not clearly reflect that 55% of the position is dedicated to allowable grant funded activities. Time and Activity Reports for partially grant funded staff must delineate grant funded activities that are consistent with the percentage of the salary supported with grant funds.

Recommendation:

The District must revise the Time and Activity Report of the Literacy Supervisor to specify the position's responsibilities that are supported with Title II funds. The district must submit appropriate time sheets to date to the NJDOE for review.

Management Response:

The District will revise the Time and Activity Report of the Literacy Supervisor to specify the position's responsibilities that are supported with Title II funds. The revised time sheets will be submitted.

Finding 2014-12:

For FY 2012-2013, documents reviewed at the time of the consolidated monitoring verified that the district used Title II funding to compensate Strong and Associates \$1,200 for consultant services rendered for district-wide, in-service training to teachers, administrators, and non-instruction staff. Further interviews with District officials verified that the district-wide, in-service training sessions were in accordance with teachers and administrators contractual agreements with the District. Therefore, the use of Title II funds for these sessions supplanted state/local funding.

Recommendation:

The District must reverse the charges for these unallowable expenditures and allocate state/local funds, rather than Title II funds, to support these expenditures. The District must submit documentation of the adjusting journal entry to the NJDOE for review.

Management Response:

In the future, Title II funds will not be used for district-wide, in-service training programs.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Financial Planning, Accounting and Reporting (continued)

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.

Our study of compliance for special projects indicated that there were no areas of noncompliance, however, the State of New Jersey Department of Education in their special review indicated the following area of noncompliance:

Finding 2014-13:

In both the 2012-2013 and 2013-2014 grant years, the District did not enter into contracts with independent consultants and agencies that provide services directly to students.

Recommendation:

The District must enter into a contract with all agencies or consultants where services are being provided to students. Contracts must include a per-service or hourly rate and a not to exceed amount. In addition, the contracts must be approved by board resolution.

Management Response:

The District will enter into a contract with independent consultants and agencies that provide services directly to students.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Other Special Federal and/or State Projects (continued)

Finding 2014-14:

The District's did not consistently provide parents of students referred and/or eligible for special education and related services and speech-language services notice of a meeting for identification, eligibility, reevaluation planning and IEP team meetings.

Recommendation:

The District must provide parents notice of a meeting in writing early enough to ensure they have an opportunity to attend. In order to demonstrate correction of noncompliance, the District must conduct training for child study team members and speech-language specialists and develop an oversight mechanism to ensure compliance with the requirements in the citation listed above. A monitor from the NJDOE will conduct an on-site visit to interview staff, review documentation of the provision of notice of a meeting for meetings conducted between September 2014 and November 2014, and to review the oversight procedures.

Management Response:

The District must ensure a meeting is conducted within 20 calendar days of a written request for evaluation to determine if an evaluation is warranted.

Finding 2014-15:

The District's did not conduct meetings within a 20 calendar days of receipt of a written request for evaluation for students referred for speech-language services.

Recommendation:

The District must ensure a meeting is conducted within 20 calendar days of receipt of a written request for evaluation to determine if an evaluation is warranted. In order to demonstrate correction of noncompliance, the District must conduct training for speech-language specialists and develop an oversight mechanism to ensure compliance with the citation listed above. A monitor from the NJDOE will conduct an on-site visit to interview staff, review documentation of identification meetings conducted between September 2014 and November 2014, and to review the oversight procedures.

Management Response:

The District must ensure a meeting is conducted within 20 calendar days of a written request for evaluation to determine if an evaluation is warranted.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Other Special Federal and/or State Projects (continued)

Finding 2014-16:

The District's did not consistently convene meetings with required participants for students referred and/or eligible for special education and related services and for students referred and/or eligible to speech-language services.

Recommendation:

The District must ensure all meeting are conducted with required participants and documentation of participation is maintained in student's records. In order to demonstrate correction of noncompliance, the District must conduct training for child study team members and speech-language specialists and develop an oversight mechanism to ensure compliance with the requirements in the citation listed above. A monitor from the NJDOE will conduct an on-site visit to interview staff, review documentation, including the sign in sheets for meetings conducted between September 2014 and November 2014, and to review the oversight procedures.

Management Response:

The District must ensure all meetings are conducted with required participants and documentation of participation is maintained in records.

Finding 2014-17:

The District did not consistently document in the IEPs of the students removed from the general education setting for more than 20 percent of the school day, including students placed in separate settings, consideration of placement in the least restrictive environment. Specifically, IEPs did not consistently include:

- The supplementary aids and services considered;
- An explanation of why the supplementary aids and services were rejected; and
- The potentially beneficial or harmful effects which a placement in general education may have on the students with disabilities or other students in the class.

Recommendation:

The District must ensure when determining the educational placement of a child with a disability, the IEP team considers the general education class first and all required decisions regarding the placement are documented in the IEP for each student removed from general education for more than 20 percent of the school day. In order to demonstrate correction of noncompliance, the District must conduct training for child study team members regarding the District's procedures and develop an oversight mechanism to ensure compliance with the requirements in the citations listed above. To demonstrate that the District has corrected the individual instances of noncompliance, the District must conduct annual review meetings and revise the IEPs for specific students with IEPs that were identified as noncompliant. A monitor from the NJDOE will conduct an on-site visit to interview staff, review the

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Other Special Federal and/or State Projects (continued)

Finding 2014-17: (continued)

revised IEPs, a random sample of additional IEPs developed at meetings conducted between September 2014 and November 2014, and to review the oversight procedures. The names of the students whose IEPs were identified as noncompliant will be provided to the District by the monitor.

Management Response:

The District must ensure when determining the educational placement of a child with a disability, the IEP team considers the general education class first and all required decisions regarding the placement are documented in the IEP for each student removed from general education for more than 20 percent of the school day.

Finding 2014-18:

The District did not consistently provide to students beginning at age 14, written invitations to meeting where post-school transition was being discussed.

Recommendation:

The District must ensure each student with an IEP age 14 or above is provided a written invitation to any IEP meeting where transition to adult life will be discussed. In order to demonstrate correction of noncompliance, the district must conduct training for child study team members and develop an oversight mechanism to ensure compliance with the requirements in the citation listed above. A monitor from the NJDOE will conduct an on-site visit to interview staff and review copies of invitations to students for IEP meetings where transition was being discussed between September 2014 and November 2014, and to review the oversight procedures.

Management Response:

The District must ensure each student with an IEP age of 14 or above is provided with a written invitation to any IEP meeting where transition to adult life is discussed.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Other Special Federal and/or State Projects (continued)

Finding 2014-19:

The District's did not consistently provide to students eligible for special education and related services a summary of academic achievement and functional performance, containing all required components, prior to graduating and/or exiting.

Recommendation:

The District must ensure students are provided with a summary of academic achievement and functional performance prior to graduation that addresses all required components. In order to demonstrate correction of noncompliance, the District must conduct training for child study team members and develop an oversight mechanism to ensure compliance with the requirements in the citation listed above. A monitor from the NJDOE will conduct an on-site visit to interview staff and review summary of academic achievement and functional performance provided to students at the conclusion of the 2014-2015 school year, and to review the oversight procedures.

Management Response:

The District must ensure students are provided with a summary of academic achievement and functional performance prior to graduation that addresses all required components.

Finding 2014-20:

The District does not have a policy for the provision of an alternate assessment, when appropriate for students with disabilities participating in district-wide assessments.

Recommendation:

The District must revise policies and procedures to ensure students with disabilities participate in district-wide assessments or an appropriate alternative. The policy must include the provision of alternate assessments for those children who cannot participate in the regular assessment. If the District reports publicly on the district-wide assessment, the District must also report with the same frequency and in the same detail as it reports on the assessment of nondisabled children. In order to demonstrate correction of noncompliance, the District must conduct training for child study team members regarding the procedures for implementing the requirements in the citation listed above. A monitor from the NJDOE will conduct an on-site visit to review the policy.

Management Response:

The District must revise policies and procedures to ensure students with disabilities to participate in district-wide assessment or an appropriate alternate.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

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.

Finding 2014-21:

Substitute teacher are incorrectly reported for FICA reimbursement..

Recommendation:

Only certified teachers who are members of the Teachers Pension and Annuity Fund are to be reported for FICA reimbursement.

Management Response:

The payroll department has removed the TPAF code for those subs who were incorrectly reported. The payroll department will review the pension codes for all staff members to ensure that they are accurately reported.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term ‘competitive contracting’, which is defined as “the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received.” Also, subsection (aa) defines the term ‘concession’ to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a “Qualified Purchasing Agent” (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. “In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted.”

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agency) and \$26,000 (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 \$18,300.

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, amended.

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

School Food Service

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

School Food Service (continued)

Finding 2014-22:

There were missing cafeteria tapes for the whole school year from Chester M. Stephens School and various missing tapes from the Middle School and Mountain View School.

Recommendation:

That register tapes be available from the Chester M. Stephens, Middle and Mountain View Schools.

Management Response:

The Board has implemented a new, automated Point of Sale system which will eliminate manual reporting errors and provide reports from a centralized database.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

U.S.D.A. Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G, of the CAFR.

Student Body/Athletic Account Activities

The cash receipts and disbursement records were maintained in good order.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2013 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. 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 the following exceptions:

Finding 2014-23:

On roll student count does not agree with the final ASSA application and District workpapers by a total of five (5) students, two (2) special education elementary and three (3) special education High School students. Also, low-income student count from the Chester M. Stephens Elementary School does not agree with the final ASSA application and the District workpapers by a net total of three (3) students, one (1) second grade student and two (2) third grade students.

Recommendation:

That care be taken when transferring information from the school registers to the ASSA report.

Management Response:

A greater emphasis will be placed on ensuring that all of the enrollment data reported by school personnel is accurate and reconciled to supporting documents.

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2013-2014 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with the following exception. 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.

TOWNSHIP OF MOUNT OLIVE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2014

Pupil Transportation (continued)

Finding 2014-24:

Four (4) regular students transported, four (4) regular special education students transported and four (4) special education special needs students transported counts do not agree with the final DRTRS application and the District workpapers.

Recommendation:

That care be taken when transferring information from the DRTRS District workpapers to the DRTRS application.

Management Response:

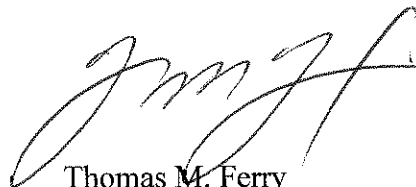
A greater emphasis will be placed on ensuring that all data reported by transportation department is accurate and reconciled to supporting documents.

Follow-up on Prior Years' Findings

In accordance with Government Auditing Standard, our procedures include a review of all prior year recommendations. Corrective action has 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.



Thomas M. Ferry
Licensed Public School Accountant
No. 20CS00209100

Ferraioli, Wielkocz, Cerullo & Cova, PA

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

SCHEDULE OF AUDITED ENROLLMENTS

MOUNT OLIVE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2013

2014-2015 Application for State

	Reported on				School Aid				Errors				Sample for Verification				Private Schools for Disabled									
	A.S.S.A. On Roll		Workpapers		Reported on		Workpapers		Full		Shared		Errors		Selected from		Registers		A.S.S.A. as		Sample					
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Kindergarten	271	-	271	-	-	-	-	-	271	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
One	284	-	284	-	-	-	-	-	284	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Two	281	-	281	-	-	-	-	-	281	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Three	283	-	283	-	-	-	-	-	283	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Four	267	-	267	-	-	-	-	-	267	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Five	308	-	308	-	-	-	-	-	308	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Six	329	-	329	-	-	-	-	-	329	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Seven	361	-	361	-	-	-	-	-	361	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Eight	329	-	329	-	-	-	-	-	329	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Nine	300	-	300	-	-	-	-	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Ten	314	-	314	-	-	-	-	-	314	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Eleven	291	6	291	6	-	-	-	-	291	6	6	-	-	-	-	-	-	-	-	-	-	-	-			
Twelve	293	11	293	11	-	-	-	-	293	11	11	-	-	-	-	-	-	-	-	-	-	-	-			
Subtotal	3,911	17	3,911	17	-	-	-	-	3,911	17	17	-	-	-	-	-	-	-	-	-	-	-	-			
Special Ed - Elementary	298	0	296	0	2	-	-	-	97	-	-	-	-	-	-	-	-	-	-	8	7	7	-			
Special Ed - Middle School	186	0	186	0	-	-	-	-	61	-	-	-	-	-	-	-	-	-	-	1	1	1	-			
Special Ed - High School	227	10	224	10	3	-	-	-	74	-	-	-	-	-	-	-	-	-	0	13	11	11				
Subtotal	711	10	706	10	5	-	-	-	232	0	0	0	0	0	0	0	0	0	0	22	19	19	0			
Total	4,622	27	4,617	27	5	-	-	-	4,143	17	17	0	0	0	0	0	0	0	0	22	19	19	0			
Percent Error	0.11%											0%											0.00%		0.00%	

SCHEDULE OF AUDITED ENROLLMENTS

**MOUNT OLIVE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2013**

Enrollment Category	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	Error	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error
Half Day Kindergarten	23	23	-	8	8	-	-	-	-	-	-	-
Full Day Kindergarten	3	3	-	1	1	-	-	-	-	-	-	-
One	41	41	-	15	15	-	5	5	-	3	3	-
Two	42	43	(1)	15	15	-	4	4	-	3	3	-
Three	31	33	(2)	11	11	-	4	4	-	3	3	-
Four	42	42	-	14	14	-	3	3	-	3	3	-
Five	45	45	-	17	17	-	2	2	-	2	2	-
Six	42	42	-	15	15	-	-	-	-	-	-	-
Seven	48	48	-	17	17	-	1	1	-	1	1	-
Eight	41	41	-	15	15	-	1	1	-	1	1	-
Nine	38	38	-	13	13	-	3	3	-	3	3	-
Ten	35	35	-	12	12	-	1	1	-	1	1	-
Eleven	32	32	-	11	11	-	1	1	-	1	1	-
Twelve	23	23	-	8	8	-	1	1	-	1	1	-
Subtotal	485.5	488.5	(3)	172	172	-	26	26	-	22	22	-
Special Ed - Elementary	68	66	-	24	24	-	2	2	-	2	2	-
Special Ed - Middle School	47	47	-	17	17	-	-	-	-	-	-	-
Special Ed - High School	53	53	-	19	19	-	-	-	-	-	-	-
Subtotal	168.0	166.0	0	60	60	-	2	2	-	2	2	-
Total	653.5	656.5	(3)	232	232	-	28	28	0	24	24	-
Percent Error			-0.46%			0.00%			0.00%			0.00%

SCHEDULE OF AUDITED ENROLLMENTS
MOUNT OLIVE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2013

Enrollment Category	Resident LEP NOT Low Income		Sample for Verification			
	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Error	
Half Day Kindergarten	26	26	26	26	-	
Full Day Kindergarten	-	-	-	-	-	
One	9	9	9	9	-	
Two	10	10	10	10	-	
Three	6	6	6	6	-	
Four	-	-	-	-	-	
Five	-	-	-	-	-	
Six	1	1	1	1	-	
Seven	3	3	3	3	-	
Eight	-	-	-	-	-	
Nine	2	2	2	2	-	
Ten	-	-	-	-	-	
Eleven	2	2	2	2	-	
Twelve	-	-	-	-	-	
Subtotal	59	59	59	59	-	
Special Ed - Elementary	4	4	3	3	-	
Special Ed - Middle School	-	-	-	-	-	
Special Ed - High School	-	-	-	-	-	
Subtotal	4	4	3	3	-	
Total	63	63	62	62	-	
Percent Error		0.00%			0%	
Regular - Public Schools, col. 1	Reported on DRTS by DOE/county 2,455	Reported on DRTS by District 2,459	Errors (4)	Tested 291	Verified 291	Errors -
Regular - SpEd, col. 4	590	594	(4)	197	197	-
Transported - Non-Public, col. 3	132	132	-	90	90	-
Special Ed Spec, col. 6	180	176	4	112	112	-
Totals	3,177	3,185	(4.00)	578	578	-
Percentage Error			-0.13%			0%

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2013-14 Total General Fund Expenditures per the CAFR, Ex.C-1	\$ <u>80,077,631.00</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>5,686,671.00</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
 Adjusted 13-14 General Fund Expenditures [(B)+(B1s)-(B2s)]	 \$ <u>74,390,960.00</u>	 (B3)
 2% of Adjusted 2013-14 General Fund Expenditures [(B3) times .02]	 \$ <u>1,487,819.20</u>	 (B4)
Enter Greater of (B4) or \$250,000	\$ <u>1,487,819.20</u>	(B5)
Increased by: Allowable Adjustment *	\$ <u>1,893,705.00</u>	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	 \$ <u>3,381,524.20</u>	 (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-14 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>15,776,750.00</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>2,170,933.00</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ _____	(C3)
Other Restricted Fund Balances****	\$ <u>5,020,968.00</u>	(C4)
Assigned Fund Balance - Unreserved - Designated For Subsequent Year's Expenditures	\$ <u>3,286,843.00</u>	(C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 \$ <u>5,298,006.00</u>	 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 1,916,481.80 (E)

Recapitulation of Excess Surplus as of June 30, 2014

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>-</u>	(C3)
Reserved Excess Surplus ***[(E)]	\$	<u>1,916,481.80</u>	(E)
Total [(C3) + (E)]	\$	<u><u>1,916,481.80</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 and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. 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>1,864,928.00</u>	(J1)
Additional Nonpublic School Transportation Aid	\$	<u>28,777.00</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	<u> </u>	(J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$	<u><u>1,893,705.00</u></u>	(K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2014 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** 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 an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ <u> </u>
Sale/Lease-back reserve	\$ <u> </u>
Capital reserve	\$ <u>5,020,968.00</u>
Maintenance reserve	\$ <u> </u>
Tuition reserve	<u> </u>
Emergency 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>
Other state/government mandated reserve	\$ <u> </u>
[Other Restricted Fund Balance not noted above]****	\$ <u> </u>
Total Other Restricted Fund Balance	\$ <u><u>5,020,968.00</u></u> (C4)