

**TOWNSHIP OF RIDGEWOOD
SCHOOL DISTRICT**

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

For the Fiscal Year Ended June 30, 2009

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

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MCKINLEY, WHITE & CO., L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Education
Township of Ridgewood School District
County of Bergen
Ridgewood, 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; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; the basic financial statements of the Board of Education of the Township of Ridgewood School District, in the County of Bergen, State of New Jersey, for the year ended June 30, 2009, and have issued our report thereon dated October 30, 2009.

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

McKinley, White & Co., LLP

MCKINLEY, WHITE & CO., L.L.P.
Certified Public Accountants

By: *Susan T. White*
Susan T. White
Public School Accountant
License #20CS00119300

Paramus, New Jersey

October 30, 2009

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Assistant Superintendent for Business/Board Secretary 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 District's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dorothy Stikna	Treasurer of School Moneys	\$ 500,000
Angelo DeSimone	Assistant Superintendent for Business/ Board Secretary	500,000

The Board has coverage in the amount of \$100,000, for employee dishonesty with faithful performance with Selective Insurance Company of America.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The District is in the process of making adjustments to the billings to sending districts for the adjustment in per pupil costs in accordance with N.J.A.C. 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 supporting documentation and minor discrepancies with respect to signatures and certification.

Payroll Account

The net salaries of all employees of the District were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Assistant Superintendent for Business/Board Secretary.

Salary withholdings were promptly remitted to the proper agencies.

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (continued)

Finding 2009 - 1

One employee, who was out for an extended period of time, was paid in excess of the available sick, personal and vacation time. This was subsequently discovered by District personnel, and the employee is in the process of repaying the excess pay.

Recommendation

That the Board institute procedures to timely coordinate payroll payments with the actual available sick, personal or vacation time records.

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2. As a result of the procedures performed, no errors were noted, and no additional procedures were deemed necessary to test the propriety of general and administrative expenditure classifications.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items:

Finding 2009 - 2

Effective July 1, 2008, the District began using a new financial accounting system. While certain aspects of the financial accounting system functioned from inception, and trial balances and certain detail reports were available for revenues and expenditures, the required financial reporting components of the accounting package was not entirely functional or accurate. In addition, the new payroll component was not installed during the year and the existing payroll system was not automatically posting to the new financial accounting system so the payroll account postings had to be manually entered. As a result, the following items were not timely reported to and approved by the board: monthly secretary's report, monthly treasurer's report, monthly certification of no over expenditures, and budget transfers. Additionally, even though the board did not receive the Board Secretary's and Treasurer's monthly financial reports, they did not acknowledge in the minutes the non-receipt. Also, although the county office was informed of the issues as required, the District could not furnish the county office with the required reports by their due dates.

Recommendation

That all required reporting be submitted timely to the Board and county office, and approved by the Board when required, and that the Board acknowledge in the minutes receipt (non-receipt) of the Board Secretary's and Treasurer's reports.

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (continued)

Finding 2009 - 3

The capital asset records were not updated timely for the additions and disposals of capital assets made during the year.

Recommendation

That the capital asset records be updated in a timely manner, but at least quarterly, for the additions and disposals of capital assets.

Finding 2009 - 4

The District appropriated surplus on April 20, 2009, to pay the balance due on the 2008-09 PERS pension contribution, but did not receive county superintendent approval to appropriate surplus.

Recommendation

That the District obtain county superintendent approval for the additional appropriation of surplus pursuant to N.J.A.C. 6A:23-2.11(b) and N.J.A.C. 6A:23A-13.3(b).

Finding 2009 - 5

The following policies were not adopted by the Board prior to June 30, 2009, as required by the Fiscal Accountability, Efficiency and Budgeting Regulations:

- Public Relations and Professional Services Policy (N.J.A.C. 6A:23A-5.2)
- Contributions and Contracts Awards Policy (N.J.A.C. 6A:23A-6.3)
- Policy on Exceeding Purchase Order Amounts (N.J.A.C. 6A:23A-6.10)
- Vehicle Tracking and Use Policy (N.J.A.C. 6A:23A-6.11)

There is no recommendation as the Board is currently in the process of revising all their policies, and the aforementioned policies are included in the policies under review.

Treasurer's Records

During our review of the Treasurer's records no exceptions were noted.

Elementary and Secondary Education Act of 1965 (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, II, III, IV, V and VI of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated there were no areas of noncompliance and/or questioned costs.

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal, State, and/or Local Projects

The District's Special Projects were approved as listed on Exhibit K-3 (Schedule A) and K-4 (Schedule B) located in the CAFR.

Our audit of the Federal, State and Local funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for special projects indicated there were no areas of noncompliance and/or questioned costs.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semimonthly reimbursements filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2005, and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 and 18A:39-3 are \$21,000 and \$16,200, respectively. The Board appointed the Assistant Superintendent for Business as purchasing agent, thus raising the bid threshold to \$29,000.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

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

Finding 2009 - 6

The District went out to bid for transportation for student activities and athletic events, however, one school used a different vendor for certain events.

Recommendation

That the Board instruct all schools to use the vendor who was awarded the bid for transportation for student activities and athletics events.

School Purchasing Programs (Continued)

In accordance with N.J.S.A 18A:18A-37, for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The purchasing agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor.

Finding 2009 - 7

A second quote was not available for audit for the following purchase:

<u>Vendor</u>	<u>Purchase Order Amount</u>
3L & Company, Inc.	<u>\$ 15,851</u>

Recommendation

That the Board obtain and have available for audit quotes for purchases that exceed the quote threshold. The quotes should be attached to the purchase order issued.

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

School Food Service

The Board of Education had a contract with an outside catering firm to provide the service in the cafeteria for the 2008-2009 school year. The financial records of the outside caterer were subjected to various audit tests, and a service audit report on the food service management company's internal control structure, policies and procedures were reviewed. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the CAFR entitled Enterprise Funds Exhibit B.

Athletics and Student Body Activities

During our review of athletics and student body activities exceptions were noted as follows:

Finding 2009 - 8

Several schools and the athletic account did not adhere to state and district policies and procedures concerning signatures, certification and supporting documentation, maintaining of books and records, and payments.

Recommendation

That the athletic account and student activity accounts adhere to state and district policies and procedures concerning obtaining of claim vouchers and supporting documentation, maintaining books and records, authorized signatures on checks, and payments.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2008 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income and bilingual. We also performed a review of the districts procedures related to its completion. The information on the A.S.S.A. was compared to the district's workpapers without exceptions. The information that was included on the workpapers was verified without exceptions. 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 audit procedures included a test of on-roll status reported in the 2008-2009 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with exceptions. 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.

Follow-up on Prior Years' Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations:

- Finding 2009 - 3 That the capital asset records be updated in a timely manner, but at least quarterly, for the additions and disposals of capital assets
- Finding 2009 - 7 That the Board obtain and have available for audit quotes for purchases that exceed the quote threshold. The quotes should be attached to the purchase order issued.

Acknowledgment

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

SCHEDULE OF AUDITED ENROLLMENTS

TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2008

	2009-2010 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 On Roll		Verified per Registers On Roll		Errors Per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- cation	Sample Verified	Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared						
Half Day Kindergarten	347		347					347		347								
One	420		420					420		420								
Two	397		397					397		397								
Three	421		421					421		421								
Four	397		397					397		397								
Five	387		387					387		387								
Six	393		393					393		393								
Seven	408		408					408		408								
Eight	378		378					378		378								
Nine	362		362					362		362								
Ten	371		371					371		371								
Eleven	383		383					383		383								
Twelve	378	2	378	2				378	2	378	2							
∞ Subtotal	5,042	2	5,042	2				5,042	2	5,042	2							
Special Ed - Elementary	263		263					263		263			24	21	21			
Special Ed - Middle School	171		171					171		171			12	11	11			
Special Ed - High School	160	5	160	5				160	5	160	5		21	16	16			
Subtotal	594	5	594	5				594	5	594	5		57	48	48			
Totals	5,636	7	5,636	7				5,636	7	5,636	7		57	48	48			
Percentage Error																		

Transportation

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg - Public Schools, col. 1	559.0	559.0		559.0	516.0	43.0		
Reg - Special Ed, col. 4	63.0	63.0		63.0	117.0	(54.0)		
Transported - Non-Public, col. 3	123.0	123.0		123.0	105.0	18.0		
Special Ed Special Needs, col. 6	92.0	92.0		92.0	83.0	9.0	Average Mileage - Regular Including Grade PK students (Part A)	4.0
							Average Mileage - Regular Excluding Grade PK students (Part B)	4.0
							Average Mileage - Special Ed with Special Needs	8.6
Totals	837.0	837.0		837.0	821.0	16.0		8.7
Percentage Error						1.91%		

SCHEDULE OF AUDITED ENROLLMENTS

TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2008

	Resident Low Income			Sample for Verification			Resident 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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Kindergarten	1	1										
One	4	4		4	4		2	2		1	1	
Two	5	5		1	1		1	1		1	1	
Three	4	4		3	3							
Four	1	1										
Five	1	1		1	1							
Six	5	5		3	3							
Seven	8	8		6	6							
Eight	5	5		4	4							
Nine	4	4		3	3							
Ten	2	2		1	1							
Eleven	6	6		2	2							
Twelve	5	5		3	3							
Subtotal	51	51		31	31		3	3		2	2	
Special Ed - Elementary	13	13		11	11							
Special Ed - Middle School	8	8		7	7							
Special Ed - High School	4	4		2	2							
Subtotal	25	25		20	20							
Totals	76	76		51	51		3	3		2	2	
Percentage Error												

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SCHEDULE OF AUDITED ENROLLMENTS

**TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2008**

	Resident 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 Test Score and Register	Sample Errors
Half Day Kindergarten	8	8		5	5	
One	10	10		10	10	
Two	13	13		10	10	
Three	8	8		5	5	
Four	9	9		7	7	
Five	8	8		7	7	
Six	5	5		4	4	
Seven	10	10		7	7	
Eight	6	6		6	6	
Nine	8	8		4	4	
Ten	6	6		5	5	
Eleven	4	4		2	2	
Twelve	2	2		2	2	
Subtotal	<u>97</u>	<u>97</u>		<u>74</u>	<u>74</u>	
Special Ed - Elementary						
Special Ed - Middle School						
Special Ed - High School						
Subtotal						
Totals	<u>97</u>	<u>97</u>		<u>74</u>	<u>74</u>	
Percentage Error						

TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT
Schedule of Excess Surplus Calculation
June 30, 2009

SECTION 1

A. 2% Calculation of Excess Surplus

2008-2009 Total General Fund expenditures per the CAFR, Ex. C-1	\$	87,691,265	(B)
Increased by:			
Transfers to Food Service Fund			(B1a)
Transfer from Capital Outlay to Capital Projects Fund			(B1b)
Transfer from Capital Reserve to Capital Projects Fund			(B1c)
Decreased by:			
On-Behalf TPAF Pension & Social Security		5,733,989	(B2a)
Assets acquired under capital lease		<u>702,500</u>	(B2b)
Adjusted 2008-2009 General Fund expenditures [(B)+(B1s)-(B2s)]	\$	<u>81,254,776</u>	(B3)
2% of adjusted 2008-09 General Fund expenditures [(B3 x 2%)]	\$	1,625,096	(B4)
Enter greater of (B4) or \$250,000		1,625,096	(B5)
Increased by : Allowable adjustment *		<u>401,836</u>	(K)
Maximum unreserved/undesignated fund balance [(B5 + K)]	\$	<u>2,026,932</u>	(M)

SECTION 2

Total General Fund - fund balances @ 6-30-09 (Per CAFR Budgetary Comparison Schedule C-1)	\$	6,076,532	(C)
Decreased by:			
Reserved for encumbrances		735,274	(C1)
Legally restricted - designated for subsequent year's expenditures		62,887	(C2)
Excess surplus - designated for subsequent year's expenditures		703,114	(C3)
Other reserved fund balances		1,187,144	(C4)
Unreserved - designated for subsequent year's expenditures		<u> </u>	(C5)
Total unreserved/undesignated fund balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$	<u>3,388,113</u>	(U1)

