

SHORE REGIONAL SCHOOL DISTRICT

AUDITOR'S MANAGEMENT REPORT

COUNTY OF MONMOUTH

JUNE 30, 2015

**ROBERT A. HULSART & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2807 HURLEY POND ROAD, SUITE 100
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AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Shore Regional School District
County of Monmouth, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Shore Regional School District in the County of Monmouth, for the year ended June 30, 2015 and have issued our report thereon dated December 18, 2015.

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 Shore Regional 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.

Licensed Public School Accountant

No. 322

ROBERT A. HULSART AND COMPANY

December 18, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School 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.

Officials Bond

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|--------------------------------|--|---------------|
| Dennis Kotch, CPA Treasurer | Board Secretary/ Business Administrator/Treasurer of School Monies | \$ 250,000 |

There is an Employee Dishonesty Bond with New Jersey School Boards Association Insurance Group for \$250,000 each employee.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the difference 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 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/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

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

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary found everything in very good order and we have no exceptions to report.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary and were independently done. All reconciliations were properly done.

Elementary and Secondary Education Act (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. 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 projects under Title I, IIA and III of the Elementary and Secondary Education Act as amended.

The study of compliance for N.C.L.B. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

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

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects. The study of compliance for special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with 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, 2010 N.J.S. 18A:18A-3 was amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$26,000.00 the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$36,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. Effective July 1, 2010, the quotation threshold was increased to \$3,900 and \$5,400, respectively.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

N.J.S. 18A:18A-4 is amended to read as follows:

- a. Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

Effective July 1, 2013 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 is currently \$18,300.00.

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 Solicitor's opinion should be sought before a commitment is made.

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 provisions of N.J.S.A. 18A:18A-4.

School Food Service Fund

The food services for 2014-15 were awarded to SODEXO on their proposal of a management fee of \$19,000 with a guaranteed minimum return of \$6,000 to the district.

The financial transactions and statistical records of the School Food Services Fund were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

The number of milks claimed for reimbursement was verified against sales and milk count records.

Applications for free and reduced price milk were reviewed for completeness and accuracy. The number of free and reduced price milks claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review.

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

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education

School Food Service Fund (Continued)

The cash disbursement records reflected expenditures for program related goods and services. Districts with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. 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.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

Student Body Activities and Athletic Fund

The records of the student activities and athletic fund were found to be in good order, no exceptions were noted.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without 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. 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.

Follow-up on Prior Years' Findings

Corrective action was taken on Finding 2014-01 relating to athletic tickets.

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 staff.

2% Calculation of Excess Surplus

| | |
|--|----------------------|
| 2014-15 Total General Fund Expenditures Per the CAFR | \$ 18,047,515 |
| Decreased by: | |
| On-Behalf TPAF Pension & Social Security | <u>(1,205,924)</u> |
| Adjusted 2014-15 General Fund Expenditures | <u>\$ 16,841,591</u> |
| 2% of Adjusted 2014-15 General Fund Expenditures | \$ 83,353 |
| Increased by: Allowable Adjustment | <u>336,832</u> |
| Maximum Unassigned Fund Balance | <u>\$ 420,185</u> |

Section 2

| | |
|--|-------------------|
| Total General Fund – Fund Balances @ 6-30-15 | \$ 1,597,041 |
| Decreased by: | |
| Reserved for Encumbrances | (46,716) |
| Other Reserves | (310,626) |
| Designated for Subsequent Year's Expenditures – Excess Surplus | (399,276) |
| Designated for Subsequent Year's Expenditures | <u>(111,987)</u> |
| Total Unassigned Fund Balance | <u>\$ 728,436</u> |

Section 3

| | |
|--|-------------------|
| Reserved Excess Surplus – Current Year | <u>\$ 308,251</u> |
|--|-------------------|

Detail of Allowable Adjustments

| | |
|-------------------------------|------------------|
| Extraordinary Aid | \$ 82,312 |
| Non-Public Transportation Aid | <u>1,041</u> |
| | <u>\$ 83,353</u> |

Detail of Other Restricted Fund Balance

| | |
|-----------------|-------------------|
| Capital Reserve | <u>\$ 310,626</u> |
|-----------------|-------------------|

SHORE REGIONAL SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 2

ENROLLMENT AS OF OCTOBER 15, 2014

| | 2015-2016 Application for State School Aid (10-15-14 Data) | | | | | | Sample for Verification | | | | | | Private Schools for Disabled | | | |
|-----------------------------|--|--------|--------------------|--------|--------|--------|-------------------------|--------|-------------------|--------|----------------------|--------|------------------------------|--------------|----------|--------|
| | Reported On | | Reported on | | Errors | | Sample Selected | | Verified Per | | Errors Per Registers | | Reported On | Sample for | Sample | Sample |
| | A.S.S.A. on Roll | | Workpapers on Roll | | | | from Workpapers | | Registers on Roll | | on Roll | | A.S.S.A. as | Verification | Verified | Errors |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Private Schools | | | |
| Nine | 122 | | 122 | | | | | 122 | | 122 | | | | | | |
| Ten | 129 | | 129 | | | | | 129 | | 129 | | | | | | |
| Eleven | 132 | 7 | 132 | 7 | | | | 132 | 7 | 132 | 7 | | | | | |
| Twelve | 128 | 7 | 128 | 7 | | | | 128 | 7 | 128 | 7 | | | | | |
| Subtotal | 511 | 14 | 511 | 14 | 0 | 0 | 511 | 14 | 511 | 14 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Ed. - Elementary | | | | | | | | | | | | | | | | |
| Special Ed. - Middle School | 91 | 15 | 91 | 15 | | | 91 | 15 | 91 | 15 | | | 15 | 15 | 15 | |
| Special Ed. - High School | | | | | | | | | | | | | | | | |
| Subtotal | 91 | 15 | 91 | 15 | 0 | 0 | 91 | 15 | 91 | 15 | 0 | 0 | 15 | 15 | 15 | 0 |
| Co. Voc. - Regular | | | | | | | | | | | | | | | | |
| Co. Voc. - Ft. Post Sec. | | | | | | | | | | | | | | | | |
| Totals | 602 | 29 | 602 | 29 | 0 | 0 | 602 | 29 | 602 | 29 | 0 | 0 | 15 | 15 | 15 | 0 |
| Percentage Error | | | | | 0% | 0% | | | | | 0% | 0% | | | | 0% |

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

| | Low Income | | | Sample for Verification | | | Resident LEP Not 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 ASSA as LEP Not Low Income | Reported on Workpapers as LEP Not Low Income | Errors | Sample Selected from Workpapers | Verified to Test Score and Register | Sample Errors |
| | Nine | 5 | 5 | | 5 | 5 | | 2 | 2 | | 2 | 2 |
| Ten | 4 | 4 | | 4 | 4 | | 1 | 1 | | 1 | 1 | |
| Eleven | 7 | 7 | | 7 | 7 | | | | | | | |
| Twelve | 1 | 1 | | 1 | 1 | | | | | | | |
| Subtotal | 17 | 17 | 0 | 17 | 17 | 0 | 3 | 3 | 0 | 3 | 3 | 0 |
| Special Ed. - High School | 5 | 5 | | 5 | 5 | | | | | | | |
| Subtotal | 5 | 5 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 22 | 22 | 0 | 22 | 22 | 0 | 3 | 3 | 0 | 3 | 3 | 0 |
| Percentage Error | | | 0% | | | 0% | | | 0% | | | 0% |

| | Transportation | | | | | | Reported | Recalculated |
|----------------------------------|---------------------------------|-------------------------------|--------|--------|----------|--------|----------|--------------|
| | Reported on DRTRS by DOE/County | Reported on DRTRS by District | Errors | Tested | Verified | Errors | | |
| Reg. - Public Schools, col. 1 | 153 | 153 | | 95 | 95 | | 5.78 | 5.78 |
| Reg. Special Education, col. 4 | - | - | | | | | 10.50 | 10.50 |
| Transported - Non-Public, col. 3 | 125 | 125 | | 85 | 85 | | | |
| Special Education Spec., col. 6 | 3 | 3 | | 3 | 3 | | | |
| Totals | 281 | 281 | - | 183 | 183 | 0 | | |
| Percentage Error | | | 0% | | | 0% | | |

| | Resident LEP - Low Income - N/A | | | | | | Reported | Recalculated |
|---------------------------|------------------------------------|--|--------|---------------------------------|-------------------------------------|---------------|----------|--------------|
| | Reported on ASSA as LEP Low Income | Reported on Workpapers as LEP Not Low Income | Errors | Sample Selected from Workpapers | Verified to Test Score and Register | Sample Errors | | |
| | Nine | | | | | | | |
| Ten | | | | | | | | |
| Eleven | | | | | | | | |
| Twelve | | | | | | | | |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Special Ed. - High School | | | | | | | | |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Totals | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Percentage Error | | | 0% | | | 0% | | |