

**CARTERET BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2016**

**CARTERET BOARD OF EDUCATION  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members  
of the Board of Trustees  
Borough of Carteret  
County of Middlesex, 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 Carteret Board of Education of the Carteret School District in the County of Middlesex for the year ended June 30, 2016, and have issued our report thereon dated September 15, 2016.

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 for the information and use of the Carteret Board of Education's management 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

Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
September 15, 2016

**CARTERET BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 Exhibit J-20, Insurance Schedule, contained in the district's CAFR.

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

<u>Name</u>	<u>Position and Coverage Period</u>	<u>Amount</u>
Nilkanth Patel	Board Secretary/Business Administrator	\$300,000

There is Public Employee Dishonesty with Faithful Performance coverage with the New Jersey Schools Insurance Group covering all other employees in the amount of \$250,000.

**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 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, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium withholding due to general fund.

Payrolls were delivered to the Board Secretary who then deposited with warrants in separate bank accounts, for net payroll and withholdings.

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classifications of orders as reserve for encumbrances and accounts payable.

**CARTERET BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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.

Board Secretary's Records

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

Acknowledgement of the Board's receipt of the Board Secretary's monthly financial reports was included in the minutes.

The Board Secretary promptly deposited all cash receipts.

The prescribed contractual order system was followed.

Board Designee – Bank Reconciliations

The Board Designee other than the Board Secretary performed cash reconciliations for the general operating account, payroll account and payroll agency accounts.

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

The E.S.E.A./NCLB 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 Titles I, II and III of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and 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.

During the 2015/16 school year the New Jersey Department of Education completed a review of funds received for the Elementary and Secondary Education Act of 1965 (ESEA) as amended by the No Child Left Behind Act of 2001 (NCLB) for Title I for the period September 1, 2012 through August 31, 2013. A report covering the review was reviewed and discussed at a public Board meeting and a corrective action plan (CAP) was approved by Board resolution. The report dated August 1, 2016 and the corrective action plan are on file with the District.

T.P.A.F. Reimbursement

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.

**CARTERET BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Financial Planning, Accounting and Reporting (Continued)**

**TPAF Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure charged to the current years 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 60 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**

The bid threshold in accordance with N.J.S.A. 18A:18A-2, 18A:18A-3(a) is \$40,000 with a qualified purchasing agent. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

If the purchasing agent is qualified pursuant to subsection b 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 \$40,000. 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. The Board has designated the Business Administrator as the qualified purchasing agent and approved the bid threshold at \$40,000.

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

Based on the results of our examination, we did not note any individual payments, contracts or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds when there had been no advertising bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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

**School Food Service**

The school food service program was not selected as a major federal and/or State program. 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.

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's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

Cash receipts and bank records were reviewed for timely deposit.

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. Meals claimed did agree with meal count records. Reimbursement claims were submitted/certified in a timely manner.

**CARTERET BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**School Food Service (Continued)**

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals 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 and reduced price meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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 return a profit of at least \$100,000. The operating results provision has been met.

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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food services employees authorized by the board of education.

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.

USDA Food Distribution Program 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.

The District engaged Maschio's Food Services, Inc. to operate its food service operation during the 2015/16 school year.

**Student Body Activity**

The Board has a policy which clearly established the regulation of student activity funds.

All receipts were promptly deposited.

Cash disbursements had proper supporting documentation.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, related services, 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 without exception. The information that was included on the workpapers was verified with immaterial 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.

**CARTERET BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with immaterial exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

**Facilities and Capital Assets**

Not Applicable.

**Suggestions to Management**

Prior year local grant unearned revenue balances be reviewed and cleared of record.



**CARTERET BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**FOOD SERVICE ENTERPRISE FUND  
CALCULATION OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**CARTERET BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015  
SCHEDULE OF AUDITED ENROLLMENTS**

	2016-2017 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 from Work- papers	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 4 yrs	121.0		121.0		-	-	38.0		38.0		-	-				
Full Day Preschool 4 yrs	-		-				-		-							
Half Day Kindergarten	-		-				-		-							
Full Day Kindergarten	240		240		-	-	62.0		62		-	-				
Grade 1	292		292		-	-	99.0		99		-	-				
Grade 2	283		283		-	-	80.0		80		-	-				
Grade 3	232		232		-	-	87.0		87		-	-				
Grade 4	267		267		-	-	108.0		108		-	-				
Grade 5	225		225		-	-	78.0		78		-	-				
Grade 6	249		249		-	-	249.0		249		-	-				
Grade 7	246		246		-	-	246.0		246		-	-				
Grade 8	271		271		-	-	271.0		271		-	-				
Grade 9	233		233		-	-	233.0		233		-	-				
Grade 10	240		240		-	-	240.0		240		-	-				
Grade 11	247		247		-	-	247.0		247		-	-				
Grade 12	219		219		-	-	219.0		219		-	-				
Adult School	-		-		-	-										
Subtotal	3,365	-	3,365	-	-	-	2,257	-	2,257	-	-	-	-	-	-	-
Special Ed - Elementary	152		152		-	-	88		88		-	-	8	8	7	
Special Ed - Middle	102	2	102	2	-	-	102	2	102	2	-	-	8	8	7	
Special Ed - High	86	5	86	5	-	-	86	5	86	5	-	-	17	17	14	
Subtotal	340	7	340	7	-	-	276	7	276	7	-	-	33	33	28	-
Totals	3,705	7	3,705	7	-	-	2,533	7	2,533	7	-	-	33	33	28	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**CARTERET BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015  
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Verified to Test Score and Register	Errors
	Half Day Preschool 3 yrs											
Full Day Preschool 3 yrs												
Half Day Preschool 4 yrs												
Full Day Preschool 4 yrs												
Half Day Kindergarten												
Full Day Kindergarten	166.0	166.0	-	5	4	(1)	48.0	48.0	-	10.0	9.0	(1)
Grade 1	220.0	220.0	-	6	6	-	52.0	52.0	-	10.0	9.0	(1)
Grade 2	213.0	213.0	-	5	5	-	47.0	47.0	-	9.0	9.0	-
Grade 3	176.0	176.0	-	5	5	-	36.0	36.0	-	7.0	7.0	-
Grade 4	194.0	194.0	-	5	5	-	20.0	20.0	-	4.0	4.0	-
Grade 5	175.0	175.0	-	5	5	-	15.0	15.0	-	3.0	3.0	-
Grade 6	172.0	172.0	-	4	4	-	4.0	4.0	-	1.0	1.0	-
Grade 7	177.0	177.0	-	5	5	-	6.0	6.0	-	1.0	1.0	-
Grade 8	197.0	197.0	-	5	4	(1)	11.0	11.0	-	2.0	2.0	-
Grade 9	158.0	158.0	-	4	4	-	9.0	9.0	-	2.0	2.0	-
Grade 10	170.0	170.0	-	4	4	-	10.0	10.0	-	2.0	2.0	-
Grade 11	152.0	152.0	-	4	4	-	13.0	13.0	-	2.0	2.0	-
Grade 12	139.0	139.0	-	4	4	-	6.0	6.0	-	1.0	1.0	-
Subtotal	2,309	2,309	-	61	59	(2)	277	277	-	54	52	(2)
Special Ed - Elementary	111.00	111.00	-	4	4	-	15.0	15.0	-	3	3	-
Special Ed - Middle	79.5	79.5	-	3	3	-	3.0	3.0	-	1	1	-
Special Ed - High	83.5	83.5	-	3	3	-	3.0	3.0	-	1	1	-
Subtotal	274	274	-	10	10	-	21	21	-	5	5	-
Totals	2,583	2,583	-	71	69	(2)	298	298	-	59	57	(2)
Percentage Error		0.00%			-2.82%		0.00%			-3.39%		

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
	Reg. - Public Schools	315.0	315.0	-	34.0	33.0
Transported - Non - Public	74.0	74.0	-	8.0	8.0	-
ALL Non-Public	90.0	90.0	-	9.0	7.0	2.0
Special Ed. - Public	27.0	27.0	-	3.0	3.0	-
Special Needs - Public	103.0	103.0	-	11.0	7.0	4.0
	609.0	609.0	-	65.0	58.0	7.0
Percentage Error		0.00%			10.77%	

**CARTERET BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015  
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Verified to Application and Register	Errors
	Half Day Preschool 3 yrs	-	-	-	-	-
Full Day Preschool 3 yrs	-	-	-	-	-	-
Half Day Preschool 4 yrs	-	-	-	-	-	-
Full Day Preschool 4 yrs	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	9.0	9.0	-	8.0	8.0	-
Grade 1	5.0	5.0	-	4.0	4.0	-
Grade 2	10.0	10.0	-	8.0	8.0	-
Grade 3	2.0	2.0	-	2.0	2.0	-
Grade 4	3.0	3.0	-	2.0	2.0	-
Grade 5	1.0	1.0	-	1.0	1.0	-
Grade 6	3.0	3.0	-	2.0	2.0	-
Grade 7	1.0	1.0	-	1.0	1.0	-
Grade 8	1.0	1.0	-	1.0	1.0	-
Grade 9	2.0	2.0	-	2.0	2.0	-
Grade 10	-	-	-	-	-	-
Grade 11	2.0	2.0	-	2.0	2.0	-
Grade 12	2.0	2.0	-	2.0	2.0	-
Adult School	-	-	-	-	-	-
Subtotal	41.0	41.0	-	35.0	35.0	-
Special Ed - Elementary	1.0	1.0	-	1.0	1.0	-
Special Ed - Middle	2.0	2.0	-	2.0	2.0	-
Special Ed - High	-	-	-	-	-	-
Subtotal	3.0	3.0	-	3.0	3.0	-
Totals	44.0	44.0	-	38.0	38.0	-

Percentage Error

0.00%

0.00%

**CARTERET BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION 1B - Two Percent (2%) - Calculation of Excess Surplus (2015-2016 expenditures of \$100 million or less)**

2015-2016 Total General Fund Expenditures per the CAFR (Budgetary Basis)	\$ 57,423,734
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(5,733,224)</u>
Adjusted 2015-2016 General Fund Expenditures	<u>\$ 51,690,510</u>
2% of Adjusted 2015-2016 General Fund Expenditures	\$ 1,033,810
Increased by: Allowable Adjustments	<u>-</u>
Maximum Unassigned Fund Balance	<u>\$ 1,033,810</u>

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2016	\$ 3,100,554
Decreased by:	
Restricted Fund Balance - Capital Reserve	650,000
Committed Fund Balance - Year End Encumbrances	463,977
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>1,900,107</u>
Total Unassigned Fund Balance	<u>\$ 86,470</u>

**SECTION 3**

Restricted Fund Balance - Excess Surplus	<u>\$ -</u>
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**CARTERET BOARD OF EDUCATION  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

There are none.

**III. School Purchasing Program**

There are none.

**IV. School Food Services**

There are none.

**V. Student Body Activities**

There are none.

**VI. Application for State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.

**VIII. Facilities and Capital Assets**

There are none.

**IX. Miscellaneous**

There are none.

**X. Status of Prior Years' Audit Findings/Recommendations**

There were no prior year findings/recommendations.

**ACKNOWLEDGEMENT**

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Gary W. Higgins  
Certified Public Accountant  
Public School Accountant