

*Auditor's Management Report*

*for the*

*Township of Green Brook  
School District*

*in the*

*County of Somerset  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2016*



**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE  
FINDINGS-FINANCIAL AND COMPLIANCE**

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# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

## INDEPENDENT AUDITOR'S REPORT

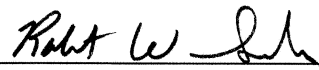
Honorable President and Members  
of the Board of Education  
Township of Green Brook School District  
County of Somerset  
Green Brook, New Jersey 08812

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Township of Green Brook School District in the County of Somerset for the year ended June 30, 2016, and have issued our report dated November 4, 2016.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Township of Green Brook School District, County of Somerset, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 4, 2016

**Independent Auditor's Management Report of Administrative Findings - Financial and Compliance**

**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 Township of Green Brook Board of Education, and the records of the various funds under the auspices of the Board of Education.

**ADMINISTRATIVE PRACTICES AND PROCEDURES**

**Insurance (N.J.S.A. 18A:17-26, 18A: 17-32)**

Insurance coverage was carried in the amounts as detailed in the District's CAFR (See Exhibit "J-20").

**Official Bonds**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Raymond Murray	Treasurer of School Monies	\$250,000.00
Heather Spitzer	Board Secretary/School Business Administrator	100,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

**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 gross salaries of all employees of the Board and the Board's required payroll contributions were deposited in the Payroll 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.

**Position Control Roster**

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**Reserve for Encumbrances, Liability (Current) for Accounts Payable**

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

**Unemployment Compensation Insurance Trust Fund**

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

**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 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**Board Secretary's Records**

The records maintained by the Board Secretary were in satisfactory condition and appropriate balances matched to those prepared by the Treasurer of School Monies. An exception to the preceding statement being:

**2016-1 Finding:** Our audit of the district's travel reimbursements for the 2015-2016 year includes verifying the districts practices and policies are in compliance with state regulations. We discovered the district did not approve, in the prebudget year, a maximum total travel expenditure in accordance with N.J.S.A. 6A:23A-7.3. A review of subsequent items revealed that a maximum was set for next year.

**2016-1 Recommendation:** That the district implement controls to improve the accounting for travel reimbursement expenditures to ensure compliance with district policies and state regulations.

**Treasurer's Records**

The records maintained by the Treasurer of School Monies were in satisfactory condition and independently maintained from the Board Secretary/Board Administrator.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**Elementary and Secondary Education Act/ 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 projects under Title II and III of the Elementary and Secondary Education Act as amended and reauthorized.

**Other Special Federal and 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.

**T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Reports 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 subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Reports for all federal awards.



**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**SCHOOL PURCHASING PROGRAMS**

**Contracts and Agreements Requiring Advertisement for Bids**

**N.J.S.A. 18A:18A-3 States:**

"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 \$29,000.00, 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 therefor, 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 \$40,000.00. 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.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. 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. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A. 18A:18A-4 states, "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 therefor, except as is provided otherwise in this chapter or specifically by any other law.

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,800.00.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**SCHOOL PURCHASING PROGRAMS (CONTINUED)**

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

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.

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

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

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

**2016-2 Finding:** Our auditing of the District's purchasing procedures revealed instances of noncompliance. There were two items noted purchased through cooperative agreements which were over the bid threshold but not approved in the minutes. Also, there were purchases made over the quote threshold for which no evidence of quotes being made are on file. Our tests also revealed instances where professional services contracts awarded were not subsequently published in the newspaper. Our testing of the District's purchase orders revealed two instances of confirming orders. This is where goods have been received or services have been rendered prior to the issuance of a purchase order. In effect, the controls that minimize the possibility of over-expenditures and unauthorized purchases are not in operation.

**2016-2 Recommendation:** That the District implement procedures and controls to improve compliance with state purchasing regulations.

**SCHOOL FOOD SERVICE FUND**

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

Cash receipts and bank records were reviewed for timely deposit without exception.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested. No exceptions were noted.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**SCHOOL FOOD SERVICE FUND (CONTINUED)**

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced 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 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. No exceptions were noted.

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. No exceptions were noted. Payroll records were maintained on all school food service employees. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. Exhibits reflecting Child Nutrition Program operations are included in Exhibits B-4, B-5, and B-6 of the CAFR.

**2016-3 Finding:** Our examination of the District's food service fund balances at June 30<sup>th</sup> revealed that the net cash resources exceeds three months average operating expenditures.

**2016-3 Recommendation:** That the District review procedures to ensure that net cash resources in the food service fund do not exceed three months average operating expenditures in compliance with 7CFR210.14.

**STUDENT BODY ACTIVITIES**

**Student Activities & Athletics Accounts**

A cash receipts and disbursement record was maintained in satisfactory condition.

**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, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate procedures for the recording of student enrollment data.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**PUPIL TRANSPORTATION**

Our audit procedures included a test of on roll status reported in the 2015-16 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.

**FACILITIES**

Our procedures included review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

**FOLLOW-UP ON PRIOR YEAR'S FINDINGS**

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations. All items were corrected with the exception of one, as repeated in recommendation 2016-1.

**Independent Auditor's Management Report of Administrative Findings - Financial and Compliance**

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**2016-1 Recommendation:** That the district implement controls to improve the accounting for travel reimbursement expenditures to ensure compliance with district policies and state regulations.

3. School Purchasing Program

**2016-2 Recommendation:** That the District implement procedures and controls to improve compliance with state purchasing regulations.

4. School Food Service

**2016-3 Recommendation:** That the District review procedures to ensure that net cash resources in the food service fund do not exceed three months average operating expenditures in compliance with 7CFR210.14.

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Status of Prior Year's Findings/Recommendations

All items were corrected with the exception of one, as repeated in recommendation 2016-1.

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT  
SCHEDULE OF CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION 1

2% Calculation of Excess Surplus (2015-16 expenditures of \$100 million or less)

2015 - 2016 Total General Fund Expenditures	<u>23,615,446.90</u>	
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>1,470,936.21</u>	
Adjusted 2015 - 2016 General Fund Expenditures		<u>22,144,510.69</u>
2% of Adjusted 2015 - 2016 General Fund Expenditures		<u>442,890.21</u>
Greater of line above or \$250,000.00		<u>442,890.21</u>
Increased by: Allowable Adjustment		<u>113,719.43</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>556,609.64</u></u>

SECTION 2

Total General Fund Balances @ 6-30-16	<u>2,663,224.81</u>	
Decreased by:		
Year End Encumbrances	<u>37,486.07</u>	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	<u>382,682.40</u>	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Tuition Reserve)	<u>1,565,911.49</u>	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>677,144.85</u>

SECTION 3

Reserved Fund Balance-Excess Surplus		<u><u>120,535.21</u></u>
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Recapitulation of excess surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		<u>382,682.40</u>
Reserved Excess Surplus		<u>120,535.21</u>
Total		<u><u>503,217.61</u></u>

Detail of Allowable Adjustments

Additional/Unbudgeted Extraordinary Aid		101,149.00
Additional/Unbudgeted Non-Public School Transportation Aid		<u>12,354.00</u>
		<u><u>113,719.43</u></u>

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2015

	2016-17 Application for State School Aid						Sample for Verification						Private School for Handicapped			
	Reported on A.S.S.A. as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Pre-School	6		6					2		2						
Full Day Pre-School	5		5					2		2						
Full Day Kindergarten	63		63					20		20						
One	77		77					20		20						
Two	93		93					23		23						
Three	76		76					20		20						
Four	92		92					20		20						
Five	79		79					20		20						
Six	96		96					25		25						
Seven	96		96					25		25						
Eight	108		108					25		25						
Subtotal	791		791					202		202						
SpEd Elementary	69		69					15		15						
SpEd Middle School	49		49					15		15						
SpEd High School												4	4			4
Subtotal	118		118					30		30			4	4		4
Totals	909		909					232		232			4	4		4
Percentage																100.00%

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2015

	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
Full Day Pre-School												
Full Day Kindergarten												
One	11	11		10	10							
Two	7	7		6	6		1	1		1	1	
Three	5	5		4	4		1	1		1	1	
Four	7	7		6	6							
Five	4	4		2	2							
Six	5	5		3	3							
Seven	2	2		1	1							
Eight	6	6		4	4							
Nine	5	5		4	4		1	1		1	1	
Ten	4	4		3	3		1	1		1	1	
Eleven	2	2		1	1							
Twelve	5	5		4	4							
Subtotal	68	68		52	52		4	4		4	4	
SpEd Elementary	10	10		8	8							
SpEd Middle School	3	3		2	2							
SpEd High School	2	2		1	1							
Subtotal	15	15		11	11							
Totals	83	83		63	63		4	4		4	4	
Percentage Error												

Transportation

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. Public Schools, col.1	718	718		176	176	
Transported - Non-Public, col.2	11	11		5	5	
Non-Public AIL, col.3	60	60		12	12	
Reg. - SpEd, col.4	99	99		24	24	
Special Ed Spec, col.6	58	58		15	15	
Totals	946	946		232	232	
Percentage Error						



TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2015

	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 Application and Register	Sample Errors
Half Day Pre-School						
Full Day Pre-School						
Full Day Kindergarten	1	1		1	1	
One	1	1		1	1	
Two	4	4		3	3	
Three	1	1		1	1	
Four	3	3		3	3	
Five						
Six						
Seven						
Eight						
Nine	2	2		2	2	
Ten						
Eleven	1	1		1	1	
Twelve	3	3		2	2	
Subtotal	<u>16</u>	<u>16</u>		<u>14</u>	<u>14</u>	
SpEd Elementary						
SpEd Middle School	1	1		1	1	
SpEd High School						
Subtotal	<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>	
Totals	<u>17</u>	<u>17</u>		<u>15</u>	<u>15</u>	
Percentage Error						



