

HOWELL TOWNSHIP BOARD OF EDUCATION

AUDITOR'S MANAGEMENT REPORT

COUNTY OF MONMOUTH

JUNE 30, 2016

**Robert A. Hulsart & Company
Certified Public Accountants
2807 Hurley Pond Road, Suite 100
Wall, New Jersey 07719**

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Howell Township 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 Howell Township School District in the County of Monmouth, for the year ended June 30, 2016, and have issued our report thereon dated December 1, 2016.

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 Howell Township 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 1, 2016

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>
Ronald Sanasac, Jr.	Board Secretary/School Business Administrator	\$ 50,000
Debra Pappagallo	Treasurer	500,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$250,000.00.

Tuition Charges

A comparison of tentative charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a 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*.

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.

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.

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, 2015 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 \$40,000 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 \$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.

Ronald Sanasac has been designated Certified Purchasing Officer by the Board of Education with the bid threshold at \$40,000.

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.

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.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. for Transportation Contracts 18A:39-3 is \$18,800.00.

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.

Review of Expenditures

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 Chapter 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

Finding 2016-01: Due to the timing of the budget submission and the deadline for the MCIA lease program the District did not establish an appropriation for the initial installment of a lease purchase for school buses in its 2015-2016 advertised budget in accordance with N.J.S.A. 18A:20-4(f).

Recommendation 2016-01: That if the District intends to utilize an MCIA lease it will establish an appropriation in its advertised budget in anticipation of participation in any lease purchase agreements. It was noted that the District had previously responded to the State Department of Education's interpretation of the matter.

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.

The number of meals claimed for reimbursement was verified against sales and meal count records.

School Food Service Fund (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 was completed and available for review.

Cash receipts and bank records were reviewed for timely deposits per state guidelines

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.

The cash disbursement 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.

Operations for 2015-2016 resulted in a change in net position of \$(133,218) for the year ended June 30, 2016.

Exhibits reflecting Child Nutrition Program operations are B-4 thru B-6.

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 on the A.S.S.A. was compared to the district workpapers without exception. 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.

Pupil Transportation

Our procedures 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 and Capital Assets

Our procedures included a review of the EDA grant agreement for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

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.

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% overall 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 disclosed no reportable conditions.

Treasurer's Records

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

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. 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, Title IIA and Title III of the E.S.E.A.

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

Follow-up on Prior Year Findings

Prior year findings for the Board Secretary's records and the Treasurers records were addressed by the District and the records are in good standing.

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.

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Per the CAFR	\$ 113,873,501
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Increased by:

Maintenance Reserve Transferred to Capital Projects	1,390,350
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Decreased by:

On-Behalf TPAF Pension & Social Security	<u>(12,007,968)</u>
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Adjusted 2015-16 General Fund Expenditures	<u>\$ 103,255,883</u>
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2% of Adjusted 2015-16 General Fund Expenditures	<u>\$ 2,065,118</u>
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Enter Greater of Above or \$250,000	\$ 2,065,118
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Increased by Allowable Adjustment	<u>159,832</u>
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Maximum Unassigned Fund Balance	<u>\$ 2,224,950</u>
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Section 2

Total General Fund – Fund Balance @ 6-30-16	\$ 17,748,998
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Decreased by:

Reserved by Encumbrances	(4,641,328)
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Designated for Subsequent Year's Expenditures	(422,727)
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Designated for Subsequent Year's Expenditures – Excess Surplus	(2,525,181)
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Designated for Subsequent Year's Expenditures – Maintenance Reserve	(1,700,000)
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Other Reserves	<u>(3,234,812)</u>
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Total Unassigned Fund Balance	<u>\$ 5,224,950</u>
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Reserved Fund Balance – Excess Surplus	<u>\$ 3,000,000</u>
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Section 3

Reserved Fund Balance – Excess Surplus Designated for Subsequent Expenditures	\$ 2,525,181
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Reserved Excess Surplus	<u>3,000,000</u>
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	<u>\$ 5,525,181</u>
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Detail of Allowable Adjustments

Non Public Transportation	\$ 31,143
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Extraordinary Aid	<u>128,689</u>
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Total Adjustments	<u>\$ 159,832</u>
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Detail of Other Reserved Fund Balances

Maintenance Reserve	\$ 2,107,968
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Capital Reserve	1
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Reserve for Capital Lease	<u>1,126,843</u>
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	<u>\$ 3,234,812</u>
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HOWELL TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 Application for State School Aid						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			
Half Day Preschool 3 Yrs.	27		27					27		27						
Half Day Preschool 4 Yrs.	29		29					29		29						
Full Day Kindergarten	498		498					112		112						
One	498		498					105		105						
Two	578		578					127		127						
Three	569		569					107		107						
Four	539		539					103		103						
Five	527		527					128		128						
Six	595		595					310		310						
Seven	586		586					348		348						
Eight	566		566					296		296						
Nine																
Ten																
Eleven																
Twelve																
Subtotal	5012	0	5012	0	0	0	1692	0	1692	0	0	0	0	0	0	0
Special Ed. - Elementary	562		562				107		107				8	8	8	
Special Ed. - Middle School	403		403				214		214				7	7	7	
Special Ed. - High School																
Subtotal	965	0	965	0	0	0	321	0	321	0	0	0	15	15	15	0
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	5977	0	5977	0	0	0	2013	0	2013	0	0	0	15	15	15	0
Percentage Error					0%	0%										0%

HOWELL TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	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 ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
	Full Day Kindergarten	67	67		32	32		10	10		10	10
One	92	92		28	28		11	11		10	10	
Two	96	96		19	19		18	18		11	11	
Three	88	88		24	24		5	5		5	5	
Four	92	92		16	16		7	7		5	5	
Five	98	98		22	22		4	4		2	2	
Six	78	78		15	15		2	2		2	2	
Seven	74	74		20	20		5	5		2	2	
Eight	57	57		23	23		3	3		1	1	
Subtotal	742	742	0	199	199	0	65	65	0	48	48	0
Special Ed. - Elementary	151	151		33	33		5	5		2	2	
Special Ed. - Middle School	119	119		22	22							
Subtotal	270	270	0	55	55	0	5	5	0	2	2	0
Totals	1012	1012	0	254	254	0	70	70	0	50	50	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	3,266	3,266		295	295		Reg. Avg. (Mileage) = Regular Including Grade PK Students (Part A)	4.1	4.1
Reg. Special Education, col. 4	95	95		75	75		Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part B)	4.1	4.1
Transported - Non-Public, col. 3	495.5	495.5		197	197		Spec. Avg. = Special Ed. With Special Needs	5.5	5.5
Special Education Spec., col. 6	471.5	471.5		197	197				
Totals	4,328.0	4,328	0	764	764	0			
Percentage Error			0%			0%			

HOWELL TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as LEP Not Low Income</u>	<u>Reported on Workpapers as LEP Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten	14	14		14	14	
One	6	6		6	6	
Two	6	6		5	5	
Three	3	3		1	1	
Four	1	1		1	1	
Five						
Six	1	1		1	1	
Seven	2	2		1	1	
Eight	2	2		1	1	
Subtotal	<u>35</u>	<u>35</u>	<u>0</u>	<u>30</u>	<u>30</u>	<u>0</u>
Special Ed. - Elementary						
Special Ed. - Middle School						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u><u>35</u></u>	<u><u>35</u></u>	<u><u>0</u></u>	<u><u>30</u></u>	<u><u>30</u></u>	<u><u>0</u></u>
Percentage Error			<u><u>0%</u></u>			<u><u>0%</u></u>

SCHEDULE OF MEAL COUNT ACTIVITY

HOWELL TOWNSHIP SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	211,926	40,389	40,389	-	\$ 0.330 *	-
	Reduced	18,487	3,432	3,432	-	2.725	-
	Free	<u>96,598</u>	<u>18,362</u>	<u>18,362</u>	<u>-</u>	3.125	<u>-</u>
Total Net Overclaim		<u>327,011</u>	<u>62,183</u>	<u>62,183</u>	<u>-</u>		<u>-</u>
Breakfast Program (Regular Rate)	Paid	11,746	2,029	2,029	-	\$ 0.290	-
	Reduced	2,106	278	278	-	1.360	-
	Free	<u>22,537</u>	<u>3,284</u>	<u>3,284</u>	<u>-</u>	1.660	<u>-</u>
Total Net Overclaim		<u>36,389</u>	<u>5,591</u>	<u>5,591</u>	<u>-</u>		<u>-</u>
Breakfast Program (Severe Needs)	Paid	2,628	252	252	-	\$ 0.290	-
	Reduced	761	137	137	-	1.690	-
	Free	<u>6,101</u>	<u>679</u>	<u>679</u>	<u>-</u>	1.990	<u>-</u>
Total Net Overclaim		<u>9,490</u>	<u>1,068</u>	<u>1,068</u>	<u>-</u>		<u>-</u>

* - \$.06 for Federal PB Lunch - Healthy Hunger-Free Kids Act

HOWELL TOWNSHIP SCHOOL DISTRICT**NET CASH RESOURCE SCHEDULE****NET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURES****PROPRIETARY FUNDS - FOOD SERVICE****FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Net Cash Resources:</u>		Food Service G - 1/2
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 6,232
G-1	Accounts Receivables	104,436
	Current Liabilities	
G-1	Less Accounts Payable	<u>(288,169)</u>
	Net Cash Resources	<u><u>\$ (177,501) (A)</u></u>
<u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	1,708,774
G-2	Less Depreciation	<u>(37,440)</u>
	Adjusted Total Operating Expenses	<u><u>1,671,334 (B)</u></u>
<u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 167,133 (C)</u></u>
<u>Three Times Monthly Average</u>		
	3 X C	<u><u>\$ 501,400</u></u>
Total in (A)		\$ (177,501)
Less Total in (D)		<u>(501,400)</u>
Net		<u><u>\$ (678,901)</u></u>