

**NEW PROVIDENCE SCHOOL DISTRICT**  
**AUDITOR'S MANAGEMENT REPORT**  
**ON ADMINISTRATIVE FINDINGS -**  
**FINANCIAL, COMPLIANCE AND PERFORMANCE**

**JUNE 30, 2016**

**NEW PROVIDENCE SCHOOL DISTRICT**

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

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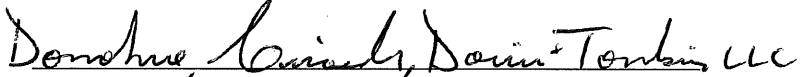
## REPORT OF INDEPENDENT AUDITORS

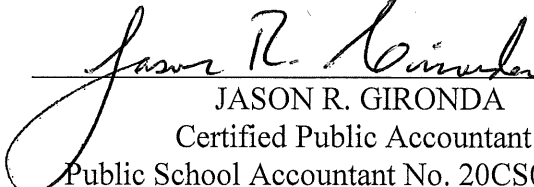
Honorable President and  
Members of the Board of Education  
New Providence School District  
County of Union  
New Providence, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the New Providence School District in the County of Union for the year ended June 30, 2016, and have issued our report thereon dated November 7, 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 New Providence 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.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
JASON R. GIRONDA  
Certified Public Accountant  
Public School Accountant No. 20CS00264800

Bayonne, New Jersey  
November 7, 2016

## **Administrative Findings - Financial, Compliance and Performance**

### **Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator, including those duties of the Treasurer of School Moneys, whose position was abolished and assumed by 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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
James Testa	Board Secretary/School Business Administrator	\$250,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$250,000.

#### Tuition Charges

A comparison of tentative tuition 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:23A-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.

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

### 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/Business Administrator.

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

Payrolls were delivered to the secretary of the board whose office then deposited with warrants in separate bank accounts for net payroll and withholdings.

### 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 discrepancies were noted.

### Travel

The District did have an approved Board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12. Our review of the travel records disclosed no discrepancies.

### 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. As a result of the procedures performed, no transaction errors were 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 discrepancies.

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

### **Treasurer's Records**

Our review of the records of the Treasurer, performed by the Board Secretary, disclosed no discrepancies.

### **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 the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and re-authorized.

The study of compliance for E.S.E.A. 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 the special projects indicated no areas of noncompliance.

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

Our audit procedures included a test of the biweekly 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, 2010 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively (the School Business Administrator for the School District is a Qualified Purchasing Agent, which allows the bid threshold to be \$36,000). The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,300.

## **School Purchasing Programs (Continued)**

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

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.

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 service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of my examination indicated that no individual payments, contracts, or agreements were 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, 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 financial transactions and statistical records of the school food services were reviewed. 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. No exceptions were noted.

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. No exceptions noted. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of \$35,000. 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 and 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 (no exceptions were noted). 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.

### **School Food Service (Continued)**

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food service employees authorized by the District. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy (no exceptions were noted). The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. Sites approved to participate in Provisions I and II complied with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions noted.

### **Student Body Activities**

Our review of the student activity funds, found them to be in proper form and order, except as listed below.

*Finding:* Bank Reconciliations were not performed in the High School Athletics Fund.

*Recommendation:* The High School Athletics Fund bank account should be reconciled monthly and remitted to the Business Administrator/Board Secretary in a timely manner.

### **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.

The District written procedures appear to be adequate for the recording of student enrollment data.



**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 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.

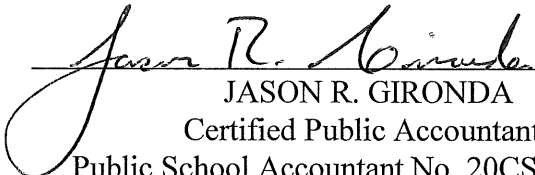
**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action has been taken on all prior year findings.

**Acknowledgment**

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

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
JASON R. GIRONDA  
Certified Public Accountant  
Public School Accountant No. 20CS00264800

Bayonne, New Jersey  
November 7, 2016

**SCHEDULE OF AUDITED ENROLLMENTS**

**NEW PROVIDENCE SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled														
	Reported on A.S.A. On Roll			Errors			Sample Selected from Workpapers			Verified per Registers On Roll			Errors per Registers On Roll			Reported on A.S.A. as Private Schools			Sample Verification			Sample Errors					
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared	
Half Day Preschool	23			-			23			23			0			0			0			0			0		
Full Day Preschool	0			-			0			0			0			0			0			0			0		
Half Day Kindergarten	132			-			132			132			132			132			132			132			132		
Full Day Kindergarten	0			-			0			0			0			0			0			0			0		
One	177			-			177			177			177			177			177			177			177		
Two	169			-			169			169			169			169			169			169			169		
Three	186			-			186			186			186			186			186			186			186		
Four	187			-			187			187			187			187			187			187			187		
Five	163			-			163			163			163			163			163			163			163		
Six	159			-			159			159			159			159			159			159			159		
Seven	153			-			153			153			153			153			153			153			153		
Eight	164			-			164			164			164			164			164			164			164		
Nine	158			-			158			158			158			158			158			158			158		
Ten	149			-			149			149			149			149			149			149			149		
Eleven	156			-			156			156			156			156			156			156			156		
Twelve	151		1	-			151		1	151		1	151		1	151		1	151		1	151		1	151		1
Post-Graduate				-																							
Adult H.S. (15+CR.)				-																							
Adult H.S. (-14 CR.)				-																							
Subtotal	2,127	1		0			2,127	1		2,127	1		2,127	1		2,127	1		2,127	1		2,127	0		0	0	0
Special Ed - Elementary	115			-			115			115			115			115			115			115			5	5	5
Special Ed - Middle School	65			-			65			65			65			65			65			65			4	4	4
Special Ed - High School	63			-			63			63			63			63			63			63			14	14	
Subtotal	243	5		0			243	5		243	5		243	5		243	5		243	5		243	0		23	23	
Co. Voc. - Regular				0																						0	0
Co. Voc. Ft. Post Sec.				0																						0	0
Totals	2,370	6		0			2,370	6		2,370	6		2,370	6		2,370	6		2,370	6		2,370	0		23	23	
Percentage Error				0.00%																						0.00%	0.00%

**SCHEDULE OF AUDITED ENROLLMENTS**

**NEW PROVIDENCE SCHOOL DISTRICT  
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 Test Score and Register	Sample Errors
Half Day Preschool	2	2		2	2		1	1		1	1	
Full Day Preschool	5	5		5	5		1	1		1	1	
Half Day Kindergarten	5	5		5	5		1	1		1	1	
Full Day Kindergarten	9	9		9	9							
One	2	2		2	2							
Two	3	3		3	3							
Three	5	5		5	5							
Four	9	9		9	9							
Five	5	5		5	5							
Six	2	2		2	2							
Seven	10	10		10	10							
Eight	5	5		5	5							
Nine	3	3		3	3							
Ten	8	8		8	8							
Eleven	2	2		2	2							
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	61	61	0	61	61	0	4	4	0	4	4	0
Special Ed - Elementary	9	9		9	9							
Special Ed - Middle	5	5		5	5							
Special Ed - High	2	2		2	2							
Subtotal	16	16	0	16	16	0						
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	77	77	0	77	77	0	5	5	0	5	5	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation			Sample for Verification		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Reg. - Public Schools, col. 1	50	50		50	50	
Reg. SpEd, col. 4	4	4		4	4	
Transported - Non-Public, col. 3						
Special Ed Spec, col. 6	55	55		55	55	
Totals	109	109	0	109	109	0
Percentage Error			0.00%			0.00%

Reg Avg. (Mileage) = Regular Including Grade PK students (Part A) 8.1  
 Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part B) 8.1  
 Spec Avg. = Special Ed with Special Needs 8

**SCHEDULE OF AUDITED ENROLLMENTS**

**NEW PROVIDENCE 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 A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten	8	8		8	8	
Full Day Kindergarten						
One	3	3		3	3	
Two	5	5		5	5	
Three	2	2		2	2	
Four						
Five	1	1		1	1	
Six						
Seven	1	1		1	1	
Eight	2	2		2	2	
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>22</u>	<u>22</u>	<u>0</u>	<u>22</u>	<u>22</u>	<u>0</u>
Special Ed - Elementary	2	2		2	2	
Special Ed - Middle	2	2		2	2	
Special Ed - High	<u>2</u>	<u>2</u>		<u>2</u>	<u>2</u>	
Subtotal	<u>6</u>	<u>6</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>28</u>	<u>28</u>	<u>0</u>	<u>28</u>	<u>28</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

## EXCESS SURPLUS CALCULATION

### REGULAR DISTRICT

#### SECTION 1

##### A. 2% Calculation of Excess Surplus

2015 - 2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 38,246,205	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		(B1a)
Transfer from Capital Reserve to Capital Projects Fund		(B1b)
Transfer from General Fund to SRF for PreK-Regular		(B1c)
Transfer from General Fund to SRF for PreK-Inclusion		(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	4,048,831	(B2a)
Assets Acquired Under Capital Leases	<u>72,934</u>	(B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>34,124,440</u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 682,489	(B4)
Enter Greater of (B4) or \$250,000	682,489	(B5)
Increased by: Allowable Adjustment (Increase in Extraordinary Aid)	<u>                    </u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u>682,489</u>	(M)

#### SECTION 2

Total General Fund - Fund Balances at June 30, 2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 2,674,007	(C)
Decreased by:		
Year-end Encumbrances	915,022	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	168,945	(C3)
Other Reserved Fund Balances - Capital Reserve	93	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>481,055</u>	(C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>1,108,892</u>	(U1)

#### SECTION 3

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ <u>426,403</u>	(E)
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#### Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 168,945	(C3)
Reserved Excess Surplus [(E)]	<u>426,403</u>	(E)
Total Excess Surplus [(C3)+(E)]	\$ <u>595,348</u>	(D)