

Auditor's Management Report

for the

*Borough of North Plainfield
School District*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2016*

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of North Plainfield School District
County of Somerset
North Plainfield, New Jersey 07060

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 Borough of North Plainfield School District in the County of Somerset for the year ended June 30, 2016, and have issued our report dated November 23, 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 Borough of North Plainfield 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 23, 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 Borough of North Plainfield - Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

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

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

<u>Name</u>	<u>Position</u>	<u>Amount Of Bonds</u>
Annette Wells	Treasurer of School Monies	\$350,000.00
Donald Sternberg	Business Administrator/Board Secretary	\$25,000.00
All Employees	All Employee Faithful Position Bond	\$500,000.00

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

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certifications or supporting documentation.

Payroll Accounts

The net salaries of all employees of the Board were deposited in the Net 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 properly remitted to the proper agencies, including health benefits withholdings due to the general fund.

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

Payroll Accounts (Continued)

Payrolls were delivered to the treasurer of school moneys with a warrant made to her order for the full amount of each payroll.

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.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2016 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(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:23-8.2.

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer of School Monies.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

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

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

**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 (Continued)**

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.

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.

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 amount of the expenditure charged to the current year's Final Report(s) 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

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 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 on each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 (with a Qualified Purchasing Agent), \$29,000 (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.

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.

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, except as noted below.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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. Our audit did reveal however, that the District did make purchases under State contracts and cooperative purchasing agreements.

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, 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. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

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 priced 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.

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.

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

School Food Service (Continued)

The cash disbursements records reflected expenditures for program related goods and services. The District is 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.

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 an operational profit of at least \$80,000.00. The operating results provision has been met.

Cash receipts and bank records were reviewed for timely deposit.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The school district renaissance school project maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Exhibits B-4, B-5 and B-6.

2016-01 Finding: Net cash resources exceeded three months average expenditures.

2016-01 Recommendation: Appropriate action be taken to ensure that net cash resources of the Food Service Fund do not exceed (3) months average expenditures.

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

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

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, and low-income. 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 had written procedures for the recording of student enrollment.

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.

Facilities and Capital Assets

Our procedures included a 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.

Follow-Up Prior Year's Audit Findings

In accordance with *Governmental Auditing Standards*, our procedures included a review of the prior year audit recommendations. There were no prior year audit findings.

**Independent Auditor's Management Report of Administrative
Findings – Financial, Compliance, and Performance**

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Program

None

School Food Service

2016-01 Recommendation: Appropriate action be taken to ensure that net cash resources of the Food Service Fund do not exceed (3) months average expenditures.

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Facilities and Capital Assets

None

Prior Year's Findings/Recommendations

None

NORTH PLAINFIELD BOARD OF EDUCATION
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 Veri- fication	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day PreSchool	15		15		0		2		2		0					
Full Day Kindergarten	193		193		0		18		18		0					
One	221		221		0		20		20		0					
Two	218		218		0		19		19		0					
Three	245		245		0		23		23		0					
Four	201		201		0		19		19		0					
Five	198		198		0		18		18		0					
Six	212		212		0		20		20		0					
Seven	193		193		0		18		18		0					
Eight	175		175		0		16		16		0					
Nine	209	2	209	2	0	0	19	2	19	2	0	0				
Ten	225	3	225	3	0	0	21	3	21	3	0	0				
Eleven	186	3	186	3	0	0	17	3	17	3	0	0				
Twelve	198	6	198	6	0	0	18	5	18	5	0	0				
Subtotal	2,689	14	2,689	14	0	0	248	13	248	13	0	0	0	0	0	0
SpEd Elementary	222		222		0		21		21		0		10	9	9	0
SpEd Middle School	125		125		0		12		12		0		8	7	7	0
SpEd High School	156	6	156	6	0	0	14	5	14	5	0	0	29	25	25	0
Subtotal	503	6	503	6	0	0	47	5	47	5	0	0	47	41	41	0
Totals	3,192	20	3,192	20	0	0	295	18	295	18	0	0	47	41	41	0
Percentage					0.00%	0.00%					0.00%	0.00%				0.00%

NORTH PLAINFIELD BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
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 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
	Half Day PreSchool		0	0	0	0	0		0	0	0	0
Full Day Kindergarten	121	121	0	16	16	0	35	35	0	20	20	0
One	151	151	0	19	19	0	21	21	0	12	12	0
Two	161	161	0	21	21	0	18	18	0	10	10	0
Three	162	162	0	21	21	0	14	14	0	8	8	0
Four	151	151	0	19	19	0	11	11	0	6	6	0
Five	136	136	0	17	17	0	7	7	0	3	3	0
Six	140	140	0	18	18	0	9	9	0	5	5	0
Seven	133	133	0	17	17	0	10	10	0	6	6	0
Eight	125	125	0	16	16	0	9	9	0	5	5	0
Nine	135	135	0	17	17	0	14	14	0	8	8	0
Ten	136	136	0	17	17	0	30	30	0	17	17	0
Eleven	130	130	0	17	17	0	15.5	15.5	0	9	9	0
Twelve	119.5	119.5	0	15	15	0	8	8	0	5	5	0
Subtotal	1800.5	1800.5	0	230	230	0	201.5	201.5	0	114	114	0
SpEd Elementary	182	182	0	23	23	0	4	4	0	2	2	0
SpEd Middle School	96	96	0	13	13	0	2	2	0	1	1	0
SpEd High School	137	137	0	18	18	0	1	1	0	1	1	0
Subtotal	415	415	0	54	54	0	7	7	0	4	4	0
Totals	2215.5	2215.5	0	284	284	0	208.5	208.5	0	118	118	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

Transportation

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg.Public Schools,col.1	33	33	0	20	20	0
Reg. - SpEd, Col.4	4	4	0	2	1	1
Special Ed Spec, col.6	103	103	0	64	64	0
Courtesy - Elem., col.8	50	50	0	32	31	1
Totals	190	190	0	118	116	2
Percentage Error			0.00%			1.69%

NORTH PLAINFIELD BOARD OF EDUCATION
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 PreSchool			0			0
Full Day Kindergarten	12	12	0	9	9	0
One	5	5	0	4	4	0
Two	4	4	0	3	3	0
Three	4	4	0	3	3	0
Four	2	2	0	2	2	0
Five	1	1	0	1	1	0
Six	3	3	0	2	2	0
Seven	1	1	0	1	1	0
Eight	2	2	0	2	2	0
Nine	14	14	0	11	11	0
Ten	12	12	0	9	9	0
Eleven	0	0	0	0	0	0
Twelve	4	4	0	3	3	0
Subtotal	<u>64</u>	<u>64</u>	<u>0</u>	<u>50</u>	<u>50</u>	<u>0</u>
SpEd Elementary			0		0	0
SpEd Middle School	1	1	0	1	1	0
SpEd High School			0		0	0
Subtotal	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>65</u>	<u>65</u>	<u>0</u>	<u>51</u>	<u>51</u>	<u>0</u>
Percentage Error			<u>0.00%</u>		<u>0.00%</u>	

NORTH PLAINFIELD SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2015 - 2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>60,888,546.23</u>	
Increased by:		
Transfer to Food Service Fund	<u> </u>	
Transfer from Capital Outlay to Capital Projects Fund	<u>409,927.00</u>	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>6,128,992.07</u>	
Assets acquired under Capital Leases	<u> </u>	
Adjusted 2015 - 2016 General Fund Expenditures		\$ <u>55,169,481.16</u>
2% of Adjusted 2015 - 2016 General Fund Expenditures		\$ <u>1,103,389.62</u>
Greater of line above or \$250,000.00		\$ <u>1,103,389.62</u>
Increased by: Allowable Adjustment		\$ <u>169,862.00</u>
Maximum Unreserved/Undesignated Fund Balance		\$ <u>1,273,251.62</u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-16	\$ <u>5,525,420.79</u>	
Decreased by:		
Year-end Encumbrances	\$ <u>234,301.77</u>	
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ <u>26,065.21</u>	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ <u>2,361,553.64</u>	
Other Restricted Fund Balances:		
Maintenance Reserve	\$ <u> </u>	
Capital Reserve	\$ <u>286,974.21</u>	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ <u> </u>	
Total Unassigned Fund Balance		\$ <u>2,616,525.96</u>

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u>1,343,274.34</u>
<u>Recapitulation of excess surplus as of June 30, 2016</u>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>2,361,553.64</u>
Reserved Excess Surplus	\$ <u>1,343,274.34</u>
Total Excess Surplus	\$ <u>3,704,827.98</u>
<u>Detail of Allowable Adjustments</u>	
Extraordinary Aid	\$ <u>169,862.00</u>

