

RUMSON BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT
COUNTY OF MONMOUTH
JUNE 30, 2016

ROBERT A. HULSART & COMPANY
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AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Rumson 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 Rumson School District in the County of Monmouth, for the year ended June 30, 2016, and have issued our report thereon dated November 21, 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 Rumson 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

November 21, 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>
*Denise Friedmann	Board Secretary/School Business Administrator	\$ 200,000
**Debra Allen	Board Secretary/School Business Administrator	200,000
	Treasurer	200,000

*Through 12-31-15

**1-1-16 through 6-30-16

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the proper adjustment 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/Payroll Agency

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.

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 exceptions were noted.

Board Secretary's Records

The books and records were found to be in good order.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary after posting of necessary adjustments. All reconciliation's were properly done.

Elementary and Secondary Education Act (E.S.E.A.)/(I.A.S.A) as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. No Child Left Behind 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 I and Title IIA of the E.S.E.A.

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, with no exceptions noted.

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.

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.

Debra Allen 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.

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.

School Food Service Fund

The District does not expend any Federal or State funding in the Child Nutrition Program.

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk 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.

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

Expenditures were separately recorded as food, labor and other costs. Aramark's inventory records on food supply items were maintained and applied in determining the cost of food and supplies used. Inventories of commodities were reviewed for reasonableness as submitted, without verification.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G.

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% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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 equivalents.

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

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 with no errors. 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. No exceptions were noted in our review of transportation related purchases of goods and services.

District Travel Policy

The District maintained a log for all employees who were not under an existing contract in relation to travel expenditures; the log was examined and was in compliance with the administrative code.

Follow-up on Prior Years' Findings

Correction action was taken to increase the Treasurer's bond.

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 staff.

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Per the CAFR	\$ 16,265,856
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,641,229)</u>
Adjusted 2015-16 General Fund Expenditures	<u>\$ 14,624,627</u>
2% of Adjusted 2015-16 General Fund Expenditures	\$ 292,493
Increased by Allowable Adjustments	<u>148,916</u>
Maximum Unassigned Fund Balance	<u>\$ 441,409</u>

Section 2

Total General Fund – Fund Balance @ 6-30-16	\$ 2,592,728
Decreased by:	
Other Reserves	(1,208,865)
Reserves for Encumbrances	(56,606)
Assigned Fund Balance – Excess Surplus - Designated for Subsequent Year's Expenditures	<u>(204,446)</u>
Total Unassigned Fund Balance	<u>\$ 1,122,811</u>
Restricted Fund Balance – Excess Surplus	<u>\$ 681,402</u>

Section 3

Reserved Fund Balance – Excess Surplus Designated for Subsequent Years Expenditures	\$ 204,446
Reserved Fund Balance - Excess Surplus 2015-2016	<u>681,402</u>
	<u>\$ 885,848</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 142,452
Non-Public Transportation	<u>6,464</u>
	<u>\$ 148,916</u>

Detail of Other Reserved Fund Balance

Capital Reserve	\$ 776,865
Emergency Reserve	200,000
Maintenance Reserve	<u>232,000</u>
	<u>\$ 1,208,865</u>

RUMSON 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 (10-15-15 Data)						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.	8		8					8		8						
Full Day Preschool 3 Yrs.																
Half Day Preschool 4 Yrs.	5		5					5		5						
Full Day Preschool 4 Yrs.																
Full Day Kindergarten	82		82					82		82						
One	90		90					90		90						
Two	95		95					95		95						
Three	101		101					101		101						
Four	90		90					90		90						
Five	105		105					105		105						
Six	111		111					111		111						
Seven	101		101					101		101						
Eight	92		92					92		92						
Nine																
Ten																
Eleven																
Twelve																
Subtotal	<u>880</u>	<u>0</u>	<u>880</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>880</u>	<u>0</u>	<u>880</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	44		44					44		44			2	2	2	
Special Ed. - Middle School	39		39					39		39			4	4	4	
Special Ed. - High School																
Subtotal	<u>83</u>	<u>0</u>	<u>83</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>83</u>	<u>0</u>	<u>83</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>963</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>963</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>							<u>0%</u>	<u>0%</u>		<u>0%</u>

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
	Preschool											
Half Day Kindergarten	N/A						N/A					
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed. - Elementary												
Special Ed. - Middle School												
Special Ed. - High School												
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Totals	0	0	0	0	0	0	0	0	0	0	0	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	109	109		75	75		3.30	3.30
Reg. Special Education, col. 4	7	7		7	7		3.30	3.30
Transported - Non-Public, col. 3	38	38		30	30		15.20	15.20
Special Education Spec., col. 6	5	5		5	5			
Totals	159	159	0	117	117	0		
Percentage Error			0%			0%		

Reg. Avg. (Mileage) = Regular Including Grade PK Students (Part A)
 Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part B)
 Spec. Avg. = Special Ed. With Special Needs

RUMSON 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>
Half Day Kindergarten						
One	N/A					
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary						
Special Ed. - Middle School						
Special Ed. - High School						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>