

SHORE REGIONAL SCHOOL DISTRICT

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

	<u>Page</u>
Report of Independent Auditors	1.
Administrative Findings - Financial, Compliance and Performance Reporting	
Scope of Audit	2.
Administrative Practices and Procedures	
Insurance	2.
Officials Bonds	2.
Tuition Charges	2.
Financial Planning, Accounting and Reporting	
Examination of Claims	2.
Payroll Account	3.
Reserve for Encumbrances and Accounts Payable	3.
Classification of Expenditures	3.
Board Secretary's Records	3.
Treasurer's Records	4.
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	4.
Other Special Federal and/or State Projects	4.
T.P.A.F. Reimbursement	4.
School Purchasing Program	
Contracts and Agreements Requiring Advertisement for Bids	4 & 5.
School Food Service Fund	5 & 6.
Student Body Activities and Athletic Fund	6.
Pupil Transportation	6.
Follow-up on Prior Years' Findings	6.
Acknowledgment	6.
2% Calculation of Excess Surplus	7.
Application for State School Aid Summary	8 & 9.

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
 (732) 280-8888

e-mail:
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100
 P.O. Box 1409
 Wall, New Jersey 07719-1409
 (732) 681-4990

REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
 of the Board of Education
 Shore Regional 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 Shore Regional 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 Shore Regional 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>
*Dennis Kotch, CPA Treasurer	Board Secretary/ Business Administrator/Treasurer of School Monies	\$ 225,000
**Susanne O'Halloran	Acting Board Secretary/Business Administrator	

*To 5-13-16

**From 5-14-16 to 6-30-16

There is an Employee Dishonesty Bond with New Jersey School Boards Association Insurance Group for \$250,000 each employee.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the difference 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.

Salary withholdings were promptly remitted to the proper agencies.

Finding 2016-01: It was noted during our examination that two employees were paid without Board of Education approval being present in the District minutes.

Recommendation 2016-01: That procedures be established so that no employees are paid unless proper approvals by the Board of Education are obtained.

Finding 2016-02: Payrolls certified for payment by the Board and the Administration were not presented for audit.

Recommendation 2016-02: That procedures be established so that all payrolls are certified in a timely manner and retained for audit verification.

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.

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.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary found everything in good order with the exception to report findings 2016-01 to 2016-04.

Finding 2016-03: The District had recorded accounts receivable for District taxes that were incorrect and upon review by the District were actually overpayments that have been adjusted accordingly at June 30, 2016. There was also an adjustment to revenues due to receivables and refunds not posted to the accounting system but maintained on a separate excel spreadsheet.

Recommendation 2016-03: That the revenue report be reviewed for accuracy on an ongoing basis and that all receivables and refunds be reflected on the District's accounting system.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary and were independently done. All reconciliations were properly done.

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. N.C.L.B. 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 IIA of the Elementary and Secondary Education Act as amended.

The study of compliance for N.C.L.B. 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 special projects indicated no areas of noncompliance.

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

The bid threshold in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a qualifying purchasing agent) and \$29,000 (without a qualifying purchasing agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A: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 Board Attorney'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 services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our 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. 18:A18-4.

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.

Finding 2016-04: It was noted during our examination that several payments lacked proper purchase orders and approvals.

Recommendation 2016-04: That a standardized system be followed so all purchase orders are prepared on a consistent basis and approvals be in evidence for all purchases.

School Food Service Fund

The food services for 2015-16 were awarded to SODEXO on their proposal of a management fee of \$7,575 and a general support allowance fee of \$11,615 with a guaranteed break even to the district.

The financial transactions and statistical records of the School Food Services Fund were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Applications for free and reduced price milk 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 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.

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

School Food Service Fund (Continued)

Finding 2016-05: It was noted during our examination that an amendment to the contract with the Food Service Management Company was amended without Board of Education approval. The amendment relieved SODEXO of the break-even guarantee.

Recommendation 2016-05: All contract amendments which relate to a contract originally approved by the Board of Education must also be approved by the Board of Education.

The cash disbursement records reflected expenditures for program related goods and services. Districts with food service management companies are 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. Net cash resources did not exceed three months average expenditures.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

Student Body Activities and Athletic Fund

The records of the student activities and athletic fund were found to be in good order, no exceptions were noted.

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 Years' Findings

There were no findings in the 2014-15 fiscal year.

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	\$ 16,757,472
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,342,735)</u>
Adjusted 2015-16 General Fund Expenditures	<u>\$ 15,414,737</u>
2% of Adjusted 2015-16 General Fund Expenditures	\$ 308,295
Increased by: Allowable Adjustment	<u>167,064</u>
Maximum Unassigned Fund Balance	<u>\$ 475,359</u>

Section 2

Total General Fund – Fund Balances @ 6-30-16	\$ 1,408,078
Decreased by:	
Reserved for Encumbrances	(36,553)
Other Reserves	(311,358)
Designated for Subsequent Year’s Expenditures – Excess Surplus	(308,251)
Designated for Subsequent Year’s Expenditures	<u>(99,609)</u>
Total Unassigned Fund Balance	<u>\$ 652,307</u>
Reserved Fund Balance – Excess Surplus	<u>\$ 176,948</u>

Section 3

Designated for Subsequent Years Expenditures – Excess Surplus	\$ 308,251
Excess Surplus – Current Year	<u>176,948</u>
	<u>\$ 485,199</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 159,454
Non-Public Transportation Aid	<u>7,610</u>
	<u>\$ 167,064</u>

Detail of Other Restricted Fund Balance

Capital Reserve	<u>\$ 311,358</u>
-----------------	-------------------

SHORE REGIONAL SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 2

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					
Nine	134		134				134		134								
Ten	119		119				119		119								
Eleven	119	7	119	7			119	7	119	7							
Twelve	128	7	128	7			128	7	128	7							
Subtotal	500	14	500	14	0	0	500	14	500	14	0	0	0	0	0	0	0
Special Ed. - Elementary																	
Special Ed. - Middle School																	
Special Ed. - High School	97	11	97	11			97	11	97	11			17	16	16		
Subtotal	97	11	97	11	0	0	97	11	97	11	0	0	17	16	16	0	0
Co. Voc. - Regular																	
Co. Voc. - Ft. Post Sec.																	
Totals	597	25	597	25	0	0	597	25	597	25	0	0	17	16	16	0	0
Percentage Error					0%	0%					0%	0%					0%

SHORE REGIONAL SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</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>
Nine	9	9		8	8							
Ten	4	4		3	3		1	1		1	1	
Eleven	2	2		2	2							
Twelve	5	5		4	4							
Subtotal	20	20	0	17	17	0	1	1	0	1	1	0
Special Ed. - High School	7	7		6	6							
Subtotal	7	7	0	6	6	0	0	0	0	0	0	0
Totals	27	27	0	23	23	0	1	1	0	1	1	0
Percentage Error			0%			7%			0%			0%

	<u>Transportation</u>							
	<u>Reported on DRTRS by DOE/County</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>	<u>Reported</u>	<u>Recalculated</u>
Reg. - Public Schools, col. 1	196	196		125	125		6.1	6.1
Reg. Special Education, col. 4							8.7	8.7
Transported - Non-Public, col. 3	128	128		85	85			
Special Education Spec., col. 6	3	3		3	3			
Totals	327	327	-	213	213	0		
Percentage Error			0%			0%		

	<u>Resident LEP - Low Income - N/A</u>					
	<u>Reported on ASSA as LEP 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>
Nine						
Ten						
Eleven						
Twelve						
Subtotal	0	0	0	0	0	0
Special Ed. - High School						
Subtotal	0	0	0	0	0	0
Totals	0	0	0	0	0	0
Percentage Error			0%			0%