

Auditor's Management Report

for the

*Township of Green Brook
School District*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2018*



**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS-FINANCIAL AND COMPLIANCE**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	3
Payroll Accounts	3
Position Control Roster	3
Reserve for Encumbrances Liability (Current) and Accounts Payable	3
Unemployment Compensation Insurance Trust Fund	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	4
Elementary and Secondary Education Act/Improving America's Schools Act as Reauthorized by the No Child Left Behind Act of 2001	4
Other Special Federal and State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5-6
Food Service Fund	6-7
Student Body Activities	7
Application for State School Aid	8
Pupil Transportation	8
Facilities	8
Testing for Lead of all Drinking Water in Educational Facilities	8
Follow-Up on Prior Year's Findings	8
Recommendations	9
Schedule of Audited Enrollments	10-12
Schedule of Calculation of Excess Surplus	13



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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Green Brook School District
County of Somerset
Green Brook, New Jersey 08812

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 Township of Green Brook School District in the County of Somerset for the year ended June 30, 2018, and have issued our report dated February 11, 2019.

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 Township of Green Brook 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

February 11, 2019

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 Township of Green Brook Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

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

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

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Raymond Murray	Treasurer of School Monies	\$250,000.00
Nicholas Puleio	Interim Board Secretary/Business Administrator	100,000.00

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

Our audit of the districts practices and procedures also included:

2018-1 Finding: Through our usage of the department of education's administrative questionnaire and conversation with district personnel, it was revealed that the district's legal costs exceeded 130% of the statewide average, did not implement cost containment procedures, and did not provide evidence that such procedures would not result in cost reductions.

2018-1 Recommendation: That the district implement cost containment procedures for legal expenses or provide evidence that such procedures would not result in a reduction of costs per N.J.A.C. 6A:23A-22.6.

2018-2 Finding: Our audit of the district's transfers revealed that transfers into general administration line items in excess of statutory limits were not submitted for county superintendent approval in accordance with N.J.A.C. 6A:23A-13.3(g).

2018-2 Recommendation: That the district improve controls over monitoring cumulative transfers and properly submit applicable transfers for county approval in accordance with N.J.A.C. 6A:23A-13.3(g).

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

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 salaries of all employees of the Board and the Board's required payroll contributions were deposited in the net payroll and payroll agencies account as applicable.

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.

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, Liability (Current) for Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

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

Board Secretary's Records

The records maintained by the Board Secretary were in satisfactory condition and appropriate balances matched to those prepared by the Treasurer of School Monies

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and independently maintained from the Board Secretary/Board Administrator.

Elementary and Secondary Education Act/ Improving America's Schools Act (IASA) 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 projects under Title II and III of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and 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 filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Reports 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 subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Reports for all federal awards.

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

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. (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.

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 \$40,000.00 (with a Qualified Purchasing Agent) \$29,000.00 (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 \$19,000.00.

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

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Also, the quote threshold is set at 15% of the bid threshold, or \$6,000.00.

2018-3 Finding: Our audit of the district's purchases requiring quotes revealed an instance where services were procured without solicitation for quotes.

2018-3 Recommendation: That the district solicit quotes for all purchases of goods and services over the quote threshold.

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.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

2018-4 Finding: Our audit of the district's professional services contracts revealed that professional service contracts are not advertised subsequent to resolution of appointment in accordance with N.J.S.A. 18A-18A-5(a)1.

2018-4 Recommendation: That the district cause to be printed once, in an official newspaper, a brief notice stating the nature, duration, service, and amount of the contract for all professional service contracts in excess of the bid threshold in accordance with N.J.S.A. 18A-18A-5(a)1.

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.

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. No exceptions were noted.

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

SCHOOL FOOD SERVICE FUND (CONTINUED)

Cash receipts and bank records were reviewed for timely deposit without exception. 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 properly computed and timely filed. Meals claimed agreed with the meal count records tested. No exceptions were noted.

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced 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 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. No exceptions were noted.

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. No exceptions were noted. Payroll records were maintained on all school food service employees. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. Exhibits reflecting Child Nutrition Program operations are included in Exhibits B-4, B-5, and B-6 of the CAFR.

Net cash resources did not exceed three months average expenditures.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis.

The Statement of Revenues, Expenses and Changes in Fund Net Position (CAFR B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

STUDENT BODY ACTIVITIES

Student Activities and Athletics Accounts

A cash receipts and disbursement record was 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 13, 2017 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 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 has adequate procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on-roll status reported in the 2017-18 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

Our procedures included 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. No exceptions were noted.

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

Our procedures included examination and interviews regarding the districts compliance with N.J.A.C. 26-1.2 and 12.4 relating to the testing for lead in drinking water. No exceptions were noted.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

There were no prior year findings.

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

It is recommended that:

1. Administrative Practices and Procedures

2018-1 Recommendation: That the district implement cost containment procedures for legal expenses or provide evidence that such procedures would not result in a reduction of costs per N.J.A.C. 6A:23A-22.6.

2018-2 Recommendation: That the district improve controls over monitoring cumulative transfers and properly submit applicable transfers for county approval in accordance with N.J.A.C. 6A:23A-13.3(g).

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Program

2018-3 Recommendation: That the district solicit quotes for all purchases of goods and services over the quote threshold.

2018-4 Recommendation: That the district cause to be printed once, in an official newspaper, a brief notice stating the nature, duration, service, and amount of the contract for all professional service contracts in excess of the bid threshold in accordance with N.J.S.A. 18A-18A-5(a)1.

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Status of Prior Year's Findings/Recommendations

Not applicable

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	2018-19 Application for State School Aid						Sample for Verification						Private School for Handicapped												
	Reported on A.S.S.A. as on Roll			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 Verification			
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		
Half Day Pre-School																									
Full Day Pre-School	11			11			2																		
Full Day Kindergarten	54			54			20																		
One	67			67			22																		
Two	65			65			23																		
Three	79			79			20																		
Four	83			83			20																		
Five	85			85			20																		
Six	84			84			25																		
Seven	79			79			25																		
Eight	105			105			25																		
Subtotal	712			712			202																		
SpEd Elementary	71			71			15																		
SpEd Middle School	54			54			15																		
SpEd High School																									
Subtotal	125			125			30																		
Totals	837			837			232																		
Percentage																									

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	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	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register
Full Day Pre-School								
Full Day Kindergarten								
One	1	1	1	1				
Two	5	5	4	4				
Three	1	1	1	1				
Four	5	5	4	4	2	2	2	2
Five	3	3	2	2				
Six	4	4	4	4	1	1		
Seven								
Eight	2	2	2	2				
Nine	4	4	4	4	1	1	1	1
Ten	1	1	1	1	1	1	1	1
Eleven	1	1	1	1				
Twelve	2	2	2	2				
Subtotal	29	29	26	26	5	5	4	4
SpEd Elementary	4	4	4	4				
SpEd Middle School	4	4	2	2				
SpEd High School	2	2	1	1				
Subtotal	10	10	7	7				
Totals	39	39	33	33	5	5	4	4
Percentage Error								
Transportation								
	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors		
Reg. Public Schools, col.1	685	685		182	182			
Non-Public All, col.3	60	60		15	15			
Reg. - SpEd, col.4	31	31		10	10			
Special Ed Spec, col.6	108	108		25	25			
Totals	884	884		232	232			
Percentage Error								

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.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 Pre-School						
Full Day Pre-School						
Full Day Kindergarten						
One	1	1		1	1	
Two	1	1		1	1	
Three	2	2		1	1	
Four	4	4		3	3	
Five	1	1		1	1	
Six						
Seven						
Eight						
Nine	1	1		1	1	
Ten						
Eleven						
Twelve						
Subtotal	10	10		8	8	
SpEd Elementary	1	1		1	1	
SpEd Middle School	1	1		1	1	
SpEd High School	1	1		1	1	
Subtotal	3	3		3	3	
Totals	13	13		11	11	
Percentage Error						

TOWNSHIP OF GREEN BROOK SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SECTION 1

2% Calculation of Excess Surplus (2017-18 Expenditures of \$100 Million or Less)

2017-2018 Total General Fund Expenditures	\$ <u>25,633,282.29</u>	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>2,136,103.62</u>	
Adjusted 2017-2018 General Fund Expenditures		\$ <u>23,497,178.67</u>
2% of Adjusted 2017-2018 General Fund Expenditures		<u>469,943.57</u>
Greater of Line Above or \$250,000.00		<u>469,943.57</u>
Increased by: Allowable Adjustment		<u>17,400.00</u>
Maximum Unreserved/Undesignated Fund Balance		\$ <u><u>487,343.57</u></u>

SECTION 2

Total General Fund Balances at June 30, 2018	\$ <u>3,120,203.50</u>	
Decreased by:		
Year End Encumbrances	<u>32,476.59</u>	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	<u>350,000.00</u>	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Tuition Reserve)	<u>1,950,383.34</u>	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>787,343.57</u>

SECTION 3

Reserved Fund Balance-Excess Surplus		\$ <u><u>300,000.00</u></u>
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Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		\$ <u>350,000.00</u>
Reserved Excess Surplus		<u>300,000.00</u>
Total		\$ <u><u>650,000.00</u></u>

Detail of Allowable Adjustments

Additional/Unbudgeted Non-Public School Transportation Aid		\$ <u>17,400.00</u>
		\$ <u><u>17,400.00</u></u>



