

*Auditor's Management Report*

*for the*

*Matawan Aberdeen Regional  
School District*

*in the*

*County of Monmouth  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2018*



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

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**Tax ID Number 21-6000241**





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**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
Matawan-Aberdeen Regional School District  
County of Monmouth  
Aberdeen, New Jersey 07747

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 Matawan Aberdeen Regional School District in the County of Monmouth for the year ended June 30, 2018, and have issued our report dated February 4, 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 Matawan Aberdeen Regional School District, County of Monmouth, 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 4, 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 Matawan-Aberdeen Regional School District 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**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BOND</u>
Kenneth Jannarone	Treasurer of School Monies	\$350,000.00
Alex Ferreira	Board Secretary/ School Business Administrator	\$150,000.00
All Employees	Blanket Position Bond	\$1,000,000.00

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, certification 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.

Payrolls were delivered to the secretary of the board with a warrant made to her order for the full amount of each payroll.

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

**Payroll Accounts (Continued)**

**Finding 2018-003** The District did not properly maintain and monitor the analysis of the balance in the Payroll Agency bank account. As a result, employee withholdings for health benefits contributions were not properly remitted to the General Fund and recorded as refunds against the Health Benefits Appropriation in the General Fund budget.

**Recommendation 2018-003** That the District review the balances in the Analysis of the Payroll Agency bank account for proper disposition and that employee withholdings for health benefits contributions be remitted to the General Fund on a timely basis.

**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, 2018 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: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 errors were noted and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

**Board Secretary's Records**

The records maintained by the Board Secretary were in satisfactory condition.

**Finding 2018-002:** Our examination of the financial records revealed that several transactions were not accurately or completely recorded.

**Recommendation 2018-002:** That all transactions be accurately and completely recorded on the financial accounting records.

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

**Treasurer's Records**

The records maintained by the Treasurer of School Monies were in satisfactory condition.

**Finding 2018-001:** The District's General Account Bank Reconciliations were not accurately maintained during FY2018. We noted a number of reconciling items between the Treasurer's and Board Secretaries report that were not resolved in a reasonable timeframe.

**Recommendation 2018-001:** That all District Bank Accounts be accurately reconciled on a monthly basis and that any discrepancies between the Treasurer's and Board Secretaries report be resolved within a reasonable timeframe.

**Elementary and Secondary Education Act (E.S.E.A.) as Amended by the Every Student Succeeds Act (ESSA)**

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, Title II, and Title III of the Elementary and Secondary Education Act.

**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.

**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.

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.



**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-1, et seq. 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 \$26,000, 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 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 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, 2016, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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.

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

**SCHOOL PURCHASING PROGRAMS (CONTINUED)**

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

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.

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.

**School Food Service Funds**

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.

In addition, 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 statement of revenues, expenses and charges in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

**Student Body Activities**

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

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2017-2018 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. 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.

**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 onroll, private schools for the disabled, 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 has adequate written procedures for the recording of student enrollment data.

**FACILITIES AND CAPITAL ASSETS**

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

**MISCELLANEOUS**

The school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities. The District submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

**Follow-Up Prior Year's Audit Findings**

In accordance with Government Auditing Standards, our procedures included a review of the prior year audit recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations noted as the following current year findings:

**2017-001:** That all District Bank Accounts be accurately reconciled on a monthly basis and that any discrepancies between the Treasurer's and Board Secretaries report be resolved within a reasonable timeframe

**Current Status:** The condition still exists (2018-001)

**2017-002:** That the deficit fund balance in the PAWS program be provided for.

**Current Status:** The condition has been corrected

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

**RECOMMENDATIONS**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

**2018-001:** That all District Bank Accounts be accurately reconciled on a monthly basis and that any discrepancies between the Treasurer's and Board Secretaries report be resolved within a reasonable timeframe

**2018-002:** That all transactions be accurately and completely recorded on the financial accounting records.

**2018-003:** That the District review the balances in the Analysis of the Payroll Agency bank account for proper disposition and that employee withholdings for health benefits contributions be remitted to the General Fund on a timely basis.

**School Purchasing Program**

None

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

None

**Pupil Transportation**

None

**Capital Assets and Facilities**

None

**MATAWAN - ABERDEEN REGIONAL 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 (10/13/17 data)						Sample for Verification						Private School for Disabled																						
	Reported 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			Sample Errors										
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared						
Half Day Preschool 3 years old	12			12																															
Full Day Preschool 3 years old																																			
Half Day Preschool 4 years old	18			18																															
Full Day Preschool 4 years old																																			
Half Day Kindergarten	249			249																															
Full Day Kindergarten	258			258																															
One	221			221																															
Two	293			293																															
Three	253			253																															
Four	253			253																															
Five	279			279																															
Six	234			234																															
Seven	234			234																															
Eight	251			251																															
Nine	217			217																															
Ten	211	7		211	7																														
Eleven	202	11		202	11																														
Twelve	18			18																															
Subtotal	3,185	18		3,185	18																														
Sp. Ed. - Elementary	219			219																															
Sp. Ed. - Middle School	144			144																															
Sp. Ed. - High School	124	51		124	51																														
Subtotal	487	51		487	51																														
Co. Voc. - Regular	3,672	69		3,672	69																														
Co. Voc. Ft. Post Sec.																																			
Totals	3,672	69		3,672	69																														
Percentage Error																																			

**MATAWAN - ABERDEEN REGIONAL 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	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 3 years old	62.0	62.0		15.0	15.0		14.0	14.0		10.6	10.6	
Half Day Preschool 4 years old	64.0	64.0		17.0	17.0		19.0	19.0		14.4	14.4	
Full Day Kindergarten	69.0	69.0		18.0	18.0		18.0	18.0		13.7	13.7	
One	82.0	82.0		20.0	20.0		9.0	9.0		6.8	6.8	
Two	79.0	79.0		19.0	19.0		8.0	8.0		6.1	6.1	
Three	84.0	84.0		19.3	19.3		1.0	1.0		0.8	0.8	
Four	78.0	78.0		17.9	17.9		4.0	4.0		3.0	3.0	
Five	64.0	64.0		13.0	13.0		1.0	1.0		0.8	0.8	
Six	50.0	50.0		15.0	15.0		2.0	2.0		1.5	1.5	
Seven	60.0	60.0		13.8	13.8		2.0	2.0		1.5	1.5	
Eight	56.0	56.0		12.9	12.9							
Nine	53.0	53.0		11.0	11.0		0.5	0.5		0.4	0.4	
Ten	43.5	43.5		10.0	10.0		2.0	2.0		1.5	1.5	
Eleven												
Twelve												
Subtotal	844.5	844.5		201.9	201.9		80.5	80.5		63.0	63.0	
Special Ed - Elementary	103.0	103.0		23.7	23.7		8.0	8.0		6.0	6.0	
Special Ed - Middle	67.0	67.0		14.5	14.5							
Special Ed - High School	61.0	61.0		14.0	14.0		1.0	1.0		1.0	1.0	
Subtotal	231.0	231.0		52.2	52.2		9.0	9.0		7.0	7.0	
Totals	1,075.5	1,075.5		254.2	254.2		89.5	89.5		70.0	70.0	
Percentage Error			0%			0%			0%			0%

  

Transportation					
Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified	Errors	Percentage Error
829	829	161	161		
134	134	26	26		
2	2	2	2		
37	37	7	7		
1,002	1,002	196	196		
Reg. - Public Schools, col. 2, 3, 4, 5					
Reg -Sp Ed, col. 8, 9, 10					
Nonpublic Transport, col. 6					
Special Ed Spec, col. 7					
Totals					
Re-Reported	3.2				
Calculated	3.2				
	6.0				
	3.2				
	3.2				
	6.0				

Percentage Error 0%

**MATAWAN - ABERDEEN REGIONAL 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.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 3 years old						
Half Day Preschool 4 years old						
Half Day Kindergarten						
Full Day Kindergarten	4	4		3	3	
One	3	3		2	2	
Two	2	2		2	2	
Three	5	5		4	4	
Four	2	2		2	2	
Five	2	2		2	2	
Six	1	1		1	1	
Seven						
Eight	2	2		2	2	
Nine						
Ten						
Eleven						
Twelve						
Subtotal	21	21		18	18	
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal						
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	21	21		18	18	
Percentage Error			0%			0%

## EXCESS SURPLUS CALCULATION

### **SECTION 1**

General Fund Expenditures:		
Fiscal Year Ended June 30, 2018		\$74,671,921.88
Less: On-Behalf TPAF Pension & Social Security		8,888,289.23
Adjusted General Fund Expenditures		<u>65,783,632.65</u>
Excess Surplus Percentage		<u>2.00%</u>
Subtotal		1,315,672.65
Increased by:		
Extraordinary Aid (Unbudgeted)	\$107,477.00	
Non-Public Transportation Aid (Unbudgeted)	<u>10,730.00</u>	
		<u>118,207.00</u>
Maximum Unreserved/ Undesignated Fund Balance		<u><u>\$1,433,879.65</u></u>

### **SECTION 2**

Total General Fund Balance		\$8,639,407.37
Decreased by:		
Assigned:		
Year End Encumbrances	\$694,894.88	
Designated for Subsequent Year's Expenditures	\$117,738.44	
Restricted:		
Excess Surplus -Designated for Subsequent Year's Expenditures	7,261.56	
Emergency Reserve	385,809.57	
Maintenance Reserve	3,063,123.65	
Capital Reserve	<u>2,738,363.41</u>	
		<u>7,007,191.51</u>
Total Unassigned fund Balance		<u>1,632,215.86</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$198,336.21</u></u>

### **SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2018:		
Reserved Excess Surplus-Designated for Subsequent Years Expenditures		\$7,261.56
Reserved Excess Surplus		<u>198,336.21</u>
Total		<u><u>\$205,597.77</u></u>



