

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
COUNTY OF SUSSEX
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2018

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
COUNTY OF SUSSEX
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
TABLE OF CONTENTS

	<u>Page</u>
Cover Letter	1
General Comments:	2
Scope of Audit	2
Administrative Practices and Procedures:	2
Insurance	2
Officials in Office and Surety Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting:	2-8
Examination of Claims	2-3
Payroll Account and Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	4
Classification of General and Administrative Expenditures	4
Board Secretary's Records	4-5
Treasurer's Records	6
Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (Not Applicable)	6
Other Special Federal and/or State Projects	6
T.P.A.F. Reimbursement	7
Travel Expenses and Travel Reimbursement Policy	7-8
Testing for Lead of all Drinking Water in Educational Facilities	8
School Purchasing Programs:	
Contracts and Agreements Requiring Advertisement for Bids	8-10
School Food Service Fund	10-11
Student Body Activities	11
Application for State School Aid	12
Pupil Transportation	12-13
Facilities and Capital Assets	13
Management Suggestions	14
Status of Prior Year's Findings/Recommendations	14
Schedule of Meal Count Activity (Not Applicable)	
Schedule of Net Cash Resources (Not Applicable)	
Schedule of Audited Enrollments	15-18
Excess Surplus Calculation	19-20
Summary of Recommendations	21-23



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

January 18, 2019

The Honorable President and Members
of the Board of Education
Township of Montague School District
County of Sussex, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Township of Montague School District in the County of Sussex for the year ended June 30, 2018, and have issued our report thereon dated January 18, 2019.

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 letter does not affect our report dated January 18, 2019, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Township of Montague School District's Board of Education, management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP

William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018

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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Tina Palecek	School Business Administrator/Board Secretary	\$ 200,000
Michelle La Starza	Treasurer of School Monies	200,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C. 6A:23A-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid, on a test basis, during the period under review indicated discrepancies with respect to signatures, certification or supporting documentation, except as noted below.

Findings:

- 1.) During the course of our audit, it was noted that several purchase orders did not have a claimant's signature, superintendent's signature, and/or receipt of goods signature prior to the payment of bills.
- 2.) The District opened a debit card linked to their General Fund bank account to make certain online payments. As per Local Finance Notice 2013-17 and N.J.A.C. 5:30-9A, school districts are not authorized to utilize debit cards.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

Examination of Claims (Cont'd)

Recommendations:

It is recommended that:

- 1.) All authorizing signatures be obtained prior to the payment of bills.
- 2.) The District discontinue use of the debit card as per Local Finance Notice 2013-17 and N.J.A.C. 5:30-9A.

Management Responses:

- 1.) All authorizing signatures will be obtained prior to the payment of bills.
- 2.) The District will discontinue use of the debit card as per Local Finance Notice 2013-17 and N.J.A.C. 5:30-9A.

Payroll Account and Position Control Roster

The net salaries of 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 and certified by the Superintendent, the Board President and the Board Secretary/School Business Administrator.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents and business administrators) to the NJ Department of Treasury was not filed by the March 15 due date.

Findings:

- 1.) It was noted that the required certification (E-CERT1) report of compliance with requirements for income tax on compensation of administrators was not filed with the NJ Department of Treasury.
- 2.) Health Benefit premiums were not updated on January 1, 2018 which caused a miscalculation of employee health benefit contributions. However, since this error was rectified before year end, no formal recommendation is deemed warranted.

Recommendation:

It is recommended that the required certification (E-CERT1) is filed annually by March 15th with the NJ Department of Treasury.

Management Response:

The District will ensure that the required certification (E-CERT1) is filed annually with the NJ Department of Treasury by March 15th.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, 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-8.2. The following exception was noted.

Finding:

Our review of the District's accounting records revealed that not all expenses were charged to the proper budget line item accounts in accordance with the "Uniform Minimum Chart of Accounts for the New Jersey Public Schools" and the "Budget Guidelines."

Recommendation:

It is recommended that all expenses are charged to the proper budget line item accounts in accordance with the "Uniform Minimum Chart of Accounts for the New Jersey Public Schools" and the "Budget Guidelines."

Management Response:

The District will review the "Uniform Minimum Chart of Accounts for the New Jersey Public Schools" and the "Budget Guidelines" in order to ensure that all expenses are charged to the proper budget line item accounts.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have the following comments and recommendations.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

Board Secretary's Records (Cont'd)

Findings:

- 1.) The Board Secretary's and Treasurer's reports for December 2017 were not submitted to the executive county superintendent within 60 days of the December month-end, pursuant to *N.J.A.C. 6A:23A-16.10(c)(4)(iv)*. Also, the annual report was not submitted to the executive county superintendent by August 1, pursuant to *N.J.S.A. 18A:17-10*.
- 2.) The District did not obtain the County Superintendent's approval for transfers from any general fund appropriation account that on a cumulative basis exceed 10 percent of the amount of the account included in the budget certified for taxes as required by *N.J.S.A. 18A:22-8.1*, for transfers to an appropriation account identified as administration that on a cumulative basis exceed 10 percent of the amount of the account included in the budget certified for taxes as required by *N.J.S.A. 6A:23A-13.3(g)* and for transfers to capital outlay for facilities acquisition and construction services as per *N.J.A.C. 6A:23A-13.3(h)*.
- 3.) Several budget line item accounts were over-expended during the year. Although transfers were made by the District, they were not formally approved by the governing body.

Recommendations:

It is recommended that:

- 1.) The December month-end and annual reports are submitted to the executive County Superintendent by the appropriate deadlines.
- 2.) The District obtain the County Superintendent's approval for all transfers as required by *N.J.S.A. 6A:23A-13.3*.
- 3.) More care is taken in monitoring budget expenditures to ensure budget line item accounts are not over-expended.

Management Responses:

- 1.) The December month-end and annual reports will be submitted to the executive County Superintendent by the appropriate deadlines.
- 2.) The District will obtain the County Superintendent's approval for all transfers as required by *N.J.S.A. 6A:23A-13.3*.
- 3.) The District will monitor budget expenditures to ensure line item accounts are not over expended.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted on the previous page.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act - (Not Applicable)

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.

Findings:

- 1.) During the course of our audit, it was noted that the District did not obtain the 90 percent return rate of parental consent forms for all Medicaid eligible students as set forth in N.J.A.C. 6A:23A-5.3(e).
- 2.) Expenditures per the final expenditure report for the fiscal year 2018 I.D.E.A Basic grant program do not agree with the District's accounting records. Under the direction of the Business Administrator, certain allowable expenditures were reclassified.

Recommendations:

It is recommended that:

- 1.) The District obtain the required 90 percent return rate of parental consent forms for all Medicaid eligible students as set forth in N.J.A.C. 6A:23A-5.3(e).
- 2.) Expenditures reported on the grant final expenditure report for the I.D.E.A. Basic grant are reconciled to the District's accounting records.

Management Responses:

- 1.) The District will obtain the required 90 percent return rate of parental consent forms for all Medicaid eligible students as set forth in N.J.A.C. 6A:23A-5.3(e).
- 2.) The District will ensure that the expenditures reported on the I.D.E.A. Basic grant final expenditure report will be reconciled to the District's accounting records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

T.P.A.F. Reimbursement

Our audit procedures included a test of the bi-weekly 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 T.P.A.F. reimbursement form for Federal salary expenditures was reviewed and an exception was noted.

Finding:

The District did not submit the T.P.A.F. reimbursement to the State of New Jersey for Federal salary expenditures by the October 1 deadline.

Recommendation:

It is recommended that the District submit the T.P.A.F. reimbursement to the State of New Jersey for Federal salary expenditures by the October 1 deadline.

Management Response:

The District will submit the T.P.A.F. reimbursement to State of New Jersey for Federal salary expenditures by the October 1 deadline.

Travel Expenses and Travel Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the District to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Education and Superintendent and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

Findings:

- 1.) Our review of travel expenses revealed that travel expenditures did not have prior approval by a majority of the full voting membership of the Board. Furthermore, brief reports required by N.J.S.A 18A:11-12(d) to substantiate the purpose and relevance of non-regular travel were not obtained.
- 2.) The District did not establish an annual travel maximum as per N.J.A.C. 6A:23A-7.3.

Recommendations:

- 1.) It is recommended that travel expenditures have prior approval by a majority of the full voting membership of the Board and that the District maintain brief reports required by N.J.S.A 18A:11-12(d) to substantiate the purpose and relevance of non-regular travel.
- 2.) It is recommended that the District establishes an annual travel maximum as per N.J.A.C. 6A:23A-7.3.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Travel Expenses and Travel Reimbursement Policy (Cont'd)

Management Responses:

- 1.) Travel expenditures will have prior approval by a majority of the full voting membership of the Board. The District will maintain brief reports required by N.J.S.A. 18A:11-12(d) that substantiate the purpose and relevance of non-regular travel.
- 2.) The District will establish an annual travel maximum as per *N.J.A.C. 6A:23A-7.3*.

Testing for Lead of All Drinking Water in Education Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

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 \$17,500, 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. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. 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. 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 the year in which it is made"

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 therefore, except as is provided otherwise in this chapter or specifically by any other law"

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

Effective July 1, 2015 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is currently \$19,000 for 2017-18.

As per *N.J.S.A.* 18A:18A-3, the Board passed a resolution at its August 5, 2017 meeting, authorizing the Business Administrator as a qualified purchasing agent and increasing the bid threshold to \$40,000.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the 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 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. General compliance was noted except as noted on the following page.

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 provision 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. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. General compliance was noted except as noted below.

Finding:

The District did not maintain business registration certificates in accordance with State regulations.

Recommendation:

It is recommended that business registration certificates are maintained in accordance with State regulations.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

Management Response:

The District will ensure that business registration certificates are maintained in accordance with State regulations.

School Food Service

The school food service program was not selected as a major federal and/or state program. We inquired of school management, or the appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also 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.

Non-program foods were purchased, prepared or offered for sale. The Statement of Revenue, Expenses and Changes in Net Position in the CAFR Schedule B-5 does separate program and non-program revenue and program and non-program cost of goods sold.

The School Food Service was reviewed and exceptions were noted as detailed below.

Findings:

- 1.) The Food Service Fund incurred an operating cash deficit of \$12,641 during the fiscal year.
- 2.) As of June 30, 2018, student accounts have a receivable balance of \$23,878.
- 3.) Free and reduced meals reported for reimbursement exceeded the average number of applications on file.
- 4.) The District was unable to provide documentation to support the District's internal verification procedures.
- 5.) The October 2017 through December 2017 meal claims for low income students were not submitted for reimbursement.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

School Food Service (Cont'd)

Recommendations:

- 1.) Greater care is taken in monitoring expenditures to ensure cash deficits in the Food Service Fund do not occur.
- 2.) Procedures be implemented to review student payment on account balances on a periodic basis.
- 3.) Free and reduced meals are accurately reported for reimbursement and do not exceed the average number of applications on file.
- 4.) Proper documentation is maintained to support the District's internal verification procedures.
- 5.) Procedures be implemented to ensure that monthly meal claims for low income students be submitted for reimbursement.

Management Responses:

- 1.) The District will ensure that greater care is taken in monitoring expenses to ensure cash deficits in the Food Service Fund do not occur.
- 2.) The District will implement procedures to review student payment on account balances on a periodic basis.
- 3.) The District will ensure that the number of free and reduced meals are accurately reported for reimbursement and do not exceed that average number of applications on file.
- 4.) The District will maintain proper documentation to support the District's internal verification procedures.
- 5.) The District will implement procedures to ensure that monthly meal claims for low income students be submitted for reimbursement.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

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 disabled, bilingual education students and low income students. 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 with on-roll and low income exceptions as detailed below. The information that was included on the workpapers was verified with exceptions as detailed below. 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's written procedures for the recording of student enrollment data appear to be adequate.

Finding:

We noted that the District reported a total of 5 private school for disabled students, 96 resident low income students and 1 resident LEP low income student on the A.S.S.A. However, the supporting workpapers listed no private school for disabled students, 70 resident low income students and no resident LEP low income student students.

Recommendation:

It is recommended that the number of students reported on the A.S.S.A. for private school for disabled students, low income students and resident LEP low income students is supported by the District's workpapers.

Management Response:

The District will ensure that the number of students reported on the A.S.S.A. for private school for disabled students, low income students and resident LEP low income students is supported by the District's workpapers.

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 exceptions as detailed on the following page. The results of our procedures are presented in the Schedule of Audited Enrollment.

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. Our review of transportation related purchases of goods and services noted the following exceptions.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

Pupil Transportation (Cont'd)

Findings:

- 1.) During our testing of the DRTRS, it appears as though the District did not submit and maintain copies of the B7T forms for Aid in Lieu students.
- 2.) During our review, it was noted that the District's transportation contract was not approved by the County Superintendent.

Recommendations:

- 1.) It is recommended that the District submit and maintain copies of B7T forms for Aid in Lieu students.
- 2.) It is recommended that all transportation contracts be filed with the County for approval by the County Superintendent.

Management Responses:

- 1.) The District will submit and maintain on file the B7T forms for Aid in Lieu students.
- 2.) The District will ensure that all transportation contracts are approved by the County Superintendent.

Facilities and Capital Assets

The District currently has no active SDA grants.

Finding:

The District failed to obtain the services of an independent capital assets appraisal company to update its capital assets inventory records for the fiscal year ended June 30, 2018. However, the District provided a list of current year capital assets additions and deletions, which have been included in their district-wide financial statements.

Recommendation:

It is recommended that the District formally update its capital assets inventory records.

Management Response:

The District will obtain the services of an independent capital asset appraisal company to update its capital assets inventory records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
YEAR ENDED JUNE 30, 2018
(Continued)

Management Suggestions

Many school districts contract with service providers to perform functions such as the processing of payroll and provision of food service management services. In conjunction with these services, the service provider will engage an auditor to perform a SOC 1 (System and Organization Controls) engagement which results in a SOC 1 report. There are two different types of SOC 1 reports - a Type 1 and a Type 2 report. Both report on the fairness of the presentation of management's description of the service organization's system and the design of the controls to achieve the related control objectives. The Type 1 report is through a specific period. The Type 2 report also reviews the operating effectiveness of the controls included in the description throughout a specified period. Included in the Type 2 report will be the individual controls, what was tested and the results of the testing.

We suggest that the District review these SOC 1 reports to determine if there are any exceptions noted in the opinion in the Independent Auditors' Report. Additionally, for SOC 1 Type 2 reports we suggest that the District review the test results related to the individual control testing to determine if there were any exceptions noted. If exceptions are noted in the report the District should contact the service provider and inquire what steps the service provider is taking to address these exceptions.

Status of Prior Year Findings/Recommendations

The prior year audit recommendations regarding the calculation of employee health benefit contributions, the preparation of a Payroll position control roster, an analysis of balance of the Flexible Spending Trust, the Extraordinary Aid application being prepared and submitted to the State, the District maintaining the DRTRS Eligibility Summary Report and the District maintaining monthly written Board meeting minutes were fully resolved.

The prior year audit recommendations regarding obtaining authorizing signatures prior to the payment of bills, Board Secretary and Treasurer month-end reports and the Annual Report being submitted to the executive County Superintendent in a timely manner, the District obtaining prior County Superintendent approvals for transfers from general fund appropriation account lines exceeding 10 percent, expenditures reported on the grant final expenditure reports reconciling to the District's accounting records, the District obtaining a 90 percent return rate of parental consent forms for all Medicaid eligible students, the District submitting the T.P.A.F. reimbursement to the State of New Jersey by the October 1 deadline, the District maintaining workpapers to substantiate the enrollments reported on the A.S.S.A., the District updating its capital assets inventory records, travel expenditures having prior approval by the full voting membership of the board and the District maintaining brief reports that substantiate the purpose and relevance of non-regular travel were not resolved and remain as current year recommendations.

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

	2018-2019 Application for State School Aid						Sample for Verification					
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 Years Old	9		9				9		9			
Half Day Preschool 4 Years Old	14		14				14		14			
Full Day Kindergarten	30		31	-1			31		31			
One	20		20				20		20			
Two	23		23				23		23			
Three	22		22				22		22			
Four	19		19				19		19			
Five	23		22	1			22		22			
Six	17		17				17		17			
Seven	13		13				13		13			
Eight	20		20				20		20			
Subtotal	210	-0-	210	-0-	-0-	-0-	210	-0-	210	-0-	-0-	-0-
Special Ed - Elementary	25		26		-1		5		5			
Special Ed - Middle School	11		11				1		1			
Subtotal	36	-0-	37	-0-	-1		6	-0-	6	-0-	-0-	-0-
Totals	246	-0-	247	-0-	-1		216	-0-	216	-0-	-0-	-0-
Percentage Error					-0.41%						0.00%	0.00%

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

	Private Schools for Disabled					Resident Low Income					
	Reported on A.S.A. as Private Schools	Reported on Workpapers as Private Schools	Sample Verifi- cation	Sample Verified	Sample Errors	Reported on A.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool 4 Years Old											
Full Day Kindergarten											
One						9	10	-1	1	1	1
Two						5	4	1	1	1	1
Three						7	5	2	1	1	1
Four						8	5	3	2	2	2
Five						8	5	3	1	1	1
Six						14	10	4	1	1	1
Seven						8	2	6	1	1	1
Eight						7	6	1	1	1	1
Subtotal						73	49	24	10	10	10
Special Ed - Elementary											
Special Ed - Middle School	3			3		16	15	1	1	1	1
Special Ed - High School	2			2		7	6	1	1	1	1
Subtotal	5	-0-	-0-	-0-	-0-	23	21	2	2	2	-0-
Totals	5	-0-	-0-	-0-	-0-	96	70	26	12	12	-0-
Percentage Error								27.08%			0.00%

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

	Resident LEP Low Income			Sample for Verification		
	Reported on A.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
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven	1		1			
Eight						
Totals	1	-0-	1	-0-	-0-	-0-
Percentage Error			100.00%			0.00%

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

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	312	312		18	18	
Regular - Special Education	35	35		2	2	
Transported - Non-Public	18	18		1	1	
AIL - Non-Public	18	18		1		1
Special Needs- Public	41	41		2	2	
Special Needs Private	15	15		1	1	
Totals	439	439		25	24	1
Percentage Error			0.00%			4.00%

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	11.9	11.9
Average Mileage - Regular Excluding Grade PK Students	11.9	11.9
Average Mileage - Special Education with Special Needs	19.8	19.8

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
YEAR ENDED JUNE 30, 2018

EXCESS SURPLUS CALCULATION AT 6/30/2018

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-2018 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$</u>	9,468,761	(B)
Increased by:			
Transfer to Food Service Fund	<u>\$</u>	-0-	(B1a)
Transfer from Capital Outlay to Capital Projects Fund	<u>\$</u>	-0-	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$</u>	-0-	(B1b)
Transfer from General Fund to SRF for PreK-Regular	<u>\$</u>	-0-	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	<u>\$</u>	-0-	(B1d)
Decreased by:			
On-Behalf TPAF Pension and Social Security	<u>\$</u>	737,887	(B2a)
Assets Acquired Under Capital Leases	<u>\$</u>	-0-	(B2b)
Adjusted 2017-2018 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$</u>	<u>8,730,874</u>	(B3)
2% of Adjusted 2017-2018 General Fund Expenditures [(B3) times .02]	<u>\$</u>	<u>174,617</u>	(B4)
Enter Greater of (B4) or \$250,000	<u>\$</u>	<u>250,000</u>	(B5)
Increased by: Allowable Adjustment	<u>\$</u>	<u>139,467</u>	(K)
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$</u>	<u>389,467</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2018 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$</u>	<u>1,103,614</u>	(C)
Decreased by:			
Year End Encumbrances	<u>\$</u>	<u>146,143</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$</u>	<u>-0-</u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$</u>	<u>180,890</u>	(C3)
Other Restricted/Reserved Fund Balances	<u>\$</u>	<u>426,128</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>\$</u>	<u>3,480</u>	(C5)
Additional Assigned Fund Balance: Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	<u>\$</u>	<u>-0-</u>	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		<u>\$</u>	<u>346,973</u> (U1)

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
YEAR ENDED JUNE 30, 2018
(Continued)

SECTION 3

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE, ENTER -0- \$ 0 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures \$ 180,890 (C3)
Reserved Excess Surplus [(E)] \$ -0- (E)

Total Excess Surplus [(C3)+(E)] \$ 180,890 (D)

Detail of Allowable Adjustments

Impact Aid \$ -0- (H)
Sale and Lease Back \$ -0- (I)
Extraordinary Aid \$ 133,247 (J1)
Additional Nonpublic School Transportation Aid \$ 6,220 (J2)
Current Year School Bus Advertising Revenue Recognized \$ -0- (J3)
Family Crisis Transportation Aid \$ -0- (J4)

Total Adjustments ((H)+(I)+(J1)+(J2)+(J3)+(J4)) \$ 139,467 (K)

Detail of Other Restricted Fund Balance

Statutory restrictions:
Approved unspent separate proposal \$ -0-
Sale/lease-back reserve \$ -0-
Capital reserve \$ 28,340
Maintenance reserve \$ -0-
Tuition reserve \$ -0-
School Bus Advertising 50% Fuel Offset Reserve – current year \$ -0-
School Bus Advertising 50% Fuel Offset Reserve –prior year \$ -0-
Impact Aid General Fund Reserve (Sections 8002 and 8003) \$ 397,788
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) \$ -0-
Emergency reserve \$ -0-
Waiver offset reserve \$ -0-
Other state/governmental mandated reserve \$ -0-

Other Restricted Fund Balance not noted above \$ -0-

Total Other Restricted Fund Balance \$ 426,128 (C4)

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
 - a) All authorizing signatures be obtained prior to the payment of bills.
 - b) The District discontinue use of the debit card as per Local Finance Notice 2013-17 and N.J.A.C. 5:30-9A.
 - c) The required certification (E-CERT1) is filed annually by March 15th with the NJ Department of Treasury.
 - d) All expenses are charged to the proper budget line item accounts in accordance with the “Uniform Minimum Chart of Accounts for the New Jersey Public Schools” and the “Budget Guidelines.”
 - e) The December month-end and annual reports are submitted to the executive County Superintendent by the appropriate deadlines.
 - f) The District did not obtain the County Superintendent’s approval for all transfers as required by N.J.S.A. 6A:23A-13.3.
 - g) More care is taken in monitoring budget expenditures to ensure budget line item accounts are not over-expended.
 - h) The District obtain the required 90 percent return rate of parental consent forms for all Medicaid eligible students as set forth in N.J.A.C. 6A:23A-5.3(e).
 - i) Expenditures reported on the grant final expenditure report for the I.D.E.A. Basic grant are reconciled to the District’s accounting records.
 - j) The District submit the T.P.A.F. reimbursement to the State of New Jersey for Federal salary expenditures by the October 1 deadline.
3. Travel Expenses and Travel Reimbursement Policy
 - a) Travel expenditures have prior approval by a majority of the full voting membership of the Board and that the District maintain brief reports required by N.J.S.A 18A:11-12(d) that substantiate the purpose and relevance of non-regular travel.
 - b) The District establishes an annual travel maximum as per *N.J.A.C.* 6A:23A-7.3.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018

It is recommended that (Cont'd)

4. School Purchasing Programs

- a) Business registration certificates are maintained in accordance with State regulations.

5. School Food Service

- a) Greater care is taken in monitoring expenditures to ensure cash deficits in the Food Service Fund do not occur.
- b) Procedures be implemented to review student payment on account balances on a periodic basis.
- c) Free and reduced meals are accurately reported for reimbursement and do not exceed the average number of applications on file.
- d) Proper documentation is maintained to support the District's internal verification procedures.
- e) Procedures be implemented to ensure that monthly meal claims for low income students be submitted for reimbursement.

6. Student Body Activities

None

7. Application for State School Aid

- a) The number of students reported on the A.S.S.A. for private school for disabled students, low income students and resident LEP low income students is supported by the District's workpapers.

8. Pupil Transportation

- a) The District submit and maintain copies of B7T forms for Aid in Lieu students.
- b) All transportation contracts be filed with the County for approval by the County Superintendent.

9. Facilities and Capital Assets

- a) The District formally update its capital assets inventory records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
YEAR ENDED JUNE 30, 2018

10. Status of Prior Year's Findings/Recommendations

The prior year audit recommendations regarding the calculation of employee health benefit contributions, the preparation of a Payroll position control roster, an analysis of balance of the Flexible Spending Trust, the Extraordinary Aid application being prepared and submitted to the State, the District maintaining the DRTRS Eligibility Summary Report and the District maintaining monthly written Board meeting minutes were fully resolved.

The prior year audit recommendations regarding obtaining authorizing signatures prior to the payment of bills, Board Secretary and Treasurer month-end reports and the Annual Report being submitted to the executive County Superintendent in a timely manner, the District obtaining prior County Superintendent approvals for transfers from general fund appropriation account lines exceeding 10 percent, expenditures reported on the grant final expenditure reports reconciling to the District's accounting records, the District obtaining a 90 percent return rate of parental consent forms for all Medicaid eligible students, the District submitting the T.P.A.F. reimbursement to the State of New Jersey by the October 1 deadline, the District maintaining workpapers to substantiate the enrollments reported on the A.S.S.A., the District updating its capital assets inventory records, travel expenditures having prior approval by the full voting membership of the board and the District maintaining brief reports that substantiate the purpose and relevance of non-regular travel were not resolved and remain as current year recommendations.