

ROSELLE PARK BOARD OF EDUCATION

AUDITOR'S MANAGEMENT REPORT

COUNTY OF UNION

JUNE 30, 2018

**ROBERT A. HULSART & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2807 HURLEY POND ROAD, SUITE 100
WALL, NEW JERSEY 07719**

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

1.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Roselle Park School District
County of Union, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Roselle Park School District in the County of Union, for the year ended June 30, 2018, and have issued our report thereon dated November 19, 2018.

As part of our audit, we performed procedures required by the New Jersey Department of Education and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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

Licensed Public School Accountant
No. 322
ROBERT A. HULSART AND COMPANY

November 19, 2018

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20; Insurance Schedule contained in the district's CAFR.

Officials Bond

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Susan Guercio	Board Secretary/School Business Administrator	\$ 25,000
Gregory S. Mayers	Treasurer	300,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$5,000.00 - \$25,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the proper adjustment in accordance with N.J.A.C. 6A:23-3.1(f) 3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account/Payroll Agency

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Board Secretary's Records

The books and records were found to be in good order, with the following exception:

Finding 2018-01: An adjustment to the Board Secretary's report was required at June 30, 2018, but due to the system being closed out, the adjustment was made in 2018-2019.

Recommendation 2018-01: That all required adjustments be made prior to the closing of the system. The required adjustment was made in 2018-2019.

Treasurer's Records

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

Elementary and Secondary Education Act (E.S.E.A.) 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 projects under Title I, Title IIA and Title III of the E.S.E.A.

The study of compliance for E.S.E.A. indicated the following areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved, with no exceptions noted.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with Department of Education for district employees who are members of the Teachers Pension and Annuity Fund.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 N.J.S. 18A:18A-3 was amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$40,000 the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

Susan Guercio has been designated Certified Purchasing Officer by the Board of Education with the bid threshold at \$40,000.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S. 18A:18A-4 is amended to read as follows:

- a. Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$19,000 for 2017-2018.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

School Food Service Fund

The School Food Service Fund has been audited as a major program.

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.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$7,761. The operating results provision has been met. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completed and available for review.

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

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Pomptonian's inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursement records reflected expenditures for program related goods and services. The District deposited and expended program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

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

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

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2 (g)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-2.4*. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalents.

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 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 with no errors. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

District Travel Policy

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

Follow-up on Prior Years' Findings

Corrective action was taken on prior year finding 2017-1.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit staff.

2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures Per the CAFR	\$ 38,500,075
Decreased by:	
On-Behalf TPAF Pension & Social Security	(4,906,061)
Adjusted 2017-18 General Fund Expenditures	<u>\$ 33,594,014</u>
2% of Adjusted 2017-18 General Fund Expenditures	\$ 671,880
Increased by Allowable Adjustments	<u>125,679</u>
Maximum Unassigned Fund Balance	<u>\$ 797,559</u>

Section 2

Total General Fund – Fund Balance @ 6-30-18	\$ 3,303,275
Decreased by:	
Reserved for Encumbrances	(787,615)
Designated for Subsequent Years Expenditures – Excess Surplus	(522,003)
Other Reserves	<u>(652,393)</u>
Total Unassigned Fund Balance	<u>\$ 1,341,264</u>
Excess Surplus	<u>\$ 543,705</u>

Section 3

Reserved Fund Balance – Excess Surplus	\$ 543,705
Designated for Subsequent Years Expenditures - Excess Surplus	<u>522,003</u>
	<u>\$ 1,065,708</u>

Detail of Allowable Adjustments

Extraordinary Aid	<u>\$ 125,679</u>
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Detail of Other Reserved Fund Balance

Capital Reserve	\$ 614,874
Maintenance Reserve	<u>37,519</u>
	<u>\$ 652,393</u>

ROSELLE PARK SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2017

	2018-2019 Application for State School Aid (10-15-17 Data)						Sample for Verification						Private Schools for Disabled			
	Reported On		Reported on		Errors		Sample Selected		Verified Per		Errors Per Registers		Reported On	Sample for	Sample	Sample
	A.S.S.A. on Roll	Workpapers on Roll	Full	Shared	Full	Shared	from Workpapers	Registers on Roll	Full	Shared	Full	Shared	A.S.S.A. as Private Schools	Verification	Verified	Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 3 Yrs.	5		5				5		5							
Full Day Preschool 3 Yrs.	5		5				5		5							
Half Day Preschool 4 Yrs.	5		5				5		5							
Full Day Preschool 4 Yrs.	6		6				6		6							
Full Day Kindergarten	112		112				32		32							
One	143		143				45		45							
Two	133		133				42		42							
Three	149		149				45		45							
Four	129		129				41		41							
Five	146		146				41		41							
Six	140		140				140		140							
Seven	143		143				143		143							
Eight	148		148				148		148							
Nine	118		118				118		118							
Ten	126	1	126	1			126	1	126	1						
Eleven	123	10	123	10			123	10	123	10						
Twelve	129	3	129	3			129	3	129	3						
Subtotal	1760	14	1760	14	0	0	1194	14	1194	14	0	0	0	0	0	0
Special Ed. - Elementary	120		120				45		45				4	4	4	
Special Ed. - Middle School	72		72				72		72							
Special Ed. - High School	73	21	73	21			73	21	73	21			4	4	4	
Subtotal	265	21	265	21	0	0	190	21	190	21	0	0	8	8	8	0
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	2025	35	2025	35	0	0	1384	35	1384	35	0	0	8	8	8	0
Percentage Error					0%	0%					0%	0%				0%

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2017

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Preschool	2	2		2	2							
Ful Day Kindergarten	44	44		28	28		9	9		9		
One	38	38		23	23		8	8		7		
Two	43	43		19	19		16	16		11		
Three	54	54		11	11		10	10		8		
Four	39	39		9	9		13	13		10		
Five	46	46		12	12		4	4		2		
Six	37	37		16	16		3	3		3		
Seven	52	52		8	8		3	3		2		
Eight	54	54		10	10							
Nine	43	43		14	14		1	1		1		
Ten	54	54		9	9		6	6		3		
Eleven	48.5	48.5		15	15		5	5		2		
Twelve	37	37		7	7		1	1		1		
Subtotal	591.5	591.5	0	181	181	0	79	79	0	59	0	0
Special Ed. - Elementary	44	44		24	24		15	15		9		
Special Ed. - Middle School	23	23		16	16		1	1		1		
Special Ed. - High School	30	30		11	11		1	1		1		
Subtotal	97	97	0	51	51	0	17	17	0	11	0	0
Totals	688.5	688.5	0	232	232	0	96	96	0	70	0	0
Percentage Error			0%			0%			0%			0%

	Transportation						Reported	Recalculated
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools, col. 1	-	-		-	-		7.5	
Reg. Special Education, col. 4	1.5	1.5		1.5	1.5		7.5	
Transported - Non-Public, col. 3							7.9	
Special Education Spec., col. 6	16	16		16	16			
Totals	17.5	17.5	0	17.5	17.5	0		
Percentage Error			0%			0%		

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

ROSELLE PARK SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017

Sheet 3 of 3

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as LEP Not Low Income</u>	<u>Reported on Workpapers as LEP Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten	2	2		2		
One	3	3		2		
Two	6	6		4		
Three	12	12		5		
Four	4	4		3		
Five	6	6		4		
Six	2	2		1		
Seven	1	1		1		
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	<u>36</u>	<u>36</u>	<u>0</u>	<u>22</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary						
Special Ed. - Middle School						
Special Ed. - High School						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>36</u>	<u>36</u>	<u>0</u>	<u>22</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

SCHEDULE OF MEAL COUNT ACTIVITY

ROSELLE PARK SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	95,114	29,853	29,853	-	\$ 0.360 *	-
	Reduced	25,339	7,821	7,821	-	2.885	-
	Free	69,325	20,851	20,851	-	3.285	-
Total Net Overclaim		<u>189,778</u>	<u>58,525</u>	<u>58,525</u>	<u>-</u>		<u>-</u>
Breakfast Program (Regular Rate)	Paid	1,958	608	608	-	\$ 0.300	-
	Reduced	142	13	13	-	1.450	-
	Free	364	148	148	-	1.750	-
Total Net Overclaim		<u>2,464</u>	<u>769</u>	<u>769</u>	<u>-</u>		<u>-</u>
Breakfast Program (Severe Needs Rate)	Paid	4,180	1,347	1,347	-	\$ 0.300	-
	Reduced	1,969	670	670	-	1.790	-
	Free	9,261	9,261	9,261	-	2.090	-
Total Net Overclaim		<u>15,410</u>	<u>11,278</u>	<u>11,278</u>	<u>-</u>		<u>-</u>

* - \$.06 for Federal PB Lunch - Healthy Hunger-Free Kids Act

ROSELLE PARK SCHOOL DISTRICT**NET CASH RESOURCE SCHEDULE****NET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURES****PROPRIETARY FUNDS - FOOD SERVICE****FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Net Cash Resources:</u>		Food Service G - 1/2
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ (46,227)
G-1	Accounts Receivables	25,534
	Current Liabilities	
G-1	Less Accounts Payable	<u>(27,252)</u>
	Net Cash Resources	<u><u>\$ (47,945) (A)</u></u>
 <u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	890,229
G-2	Less Depreciation	<u>(357)</u>
	Adjusted Total Operating Expenses	<u><u>889,872 (B)</u></u>
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 88,987 (C)</u></u>
 <u>Three Times Monthly Average</u>		
	3 X C	<u><u>\$ 266,962</u></u>
	Total in (A)	\$ (47,945)
	Less Total in (D)	<u>(266,962)</u>
	Net	<u><u>\$ (314,907)</u></u>

ROSELLE PARK SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

That all required adjustments be made prior to the close of the year.

3. School Purchasing Programs

None

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. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no prior year recommendations.