

Ocean Township Board of Education

Auditor's Management Report

County of Ocean

June 30, 2021

**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
CERTIFIED PUBLIC ACCOUNTANTS

1.

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

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

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

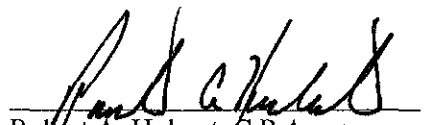
REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Ocean Township School District
County of Ocean, 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 Ocean Township School District in the County of Ocean, for the year ended June 30, 2021, and have issued our report thereon dated February 11, 2022.

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 Ocean Township 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.



Robert A. Hulsart, C.P.A.
Licensed Public School Accountant
No. 322

ROBERT A. HULSART AND COMPANY

February 11, 2022

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 ACFR.

Officials Bond

<u>Name</u>	<u>Position</u>	<u>Amount</u>
George Gahles	Business Administrator/ Board Secretary	\$ 250,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$100,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the increase(s)/decrease(s) in per pupil costs in accordance with N.J.A.C. 6A:23-17.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

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

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 on the items tested.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following reportable conditions.

Finding 2021-1: Assets exceeded liabilities and fund balance by \$19,311 requiring an adjustment to bring the General Fund into proof at June 30, 2021.

Recommendation 2021-1: The General Fund should be proven out on a monthly basis and any necessary adjustments made before the close of the year.

Finding 2021-2: Transfers exceeded 10% in the General Administration line item. No approval was requested from the County Superintendents Office, as required.

Recommendation 2021-2: When transfers potentially will exceed 10%, approval must be requested and received from the County Superintendent's Office, as required.

Finding 2021-3: The District did not follow-up on reimbursements due from completed Capital Projects. The Business Administrator was aware of this but did not submit the required documentation. It was noted that the interim Business Administrator did take action to submit the documentation to the State of New Jersey as of August 31, 2021.

Recommendation 2021-3: The District should follow-up any request for additional information in order to receive all eligible reimbursements for the completed projects.

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 ACFR. This section of the ACFR documents the financial position pertaining to projects under Title I and Title IIA of the E.S.E.A.

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 ACFR.

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.

Other Special Federal and/or State Projects (Continued)

The financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects. The study of compliance for special projects indicated the following areas of noncompliance.

Finding 2021-4: No reimbursements were requested during the 2020-2021 for the reimbursable federal programs. The amount of the cash deficit in the Special Revenue Fund at June 30, 2021 was (\$745,000). It was noted that the interim Business Administrator did apply for these reimbursements and these payments were being received and processed when we were performing our audit procedures in early September of 2021.

Recommendation 2021-4: The grant expenditures should be reviewed on a monthly basis and if reimbursements are required that they then be submitted on a timely basis.

Finding 2021-5: There were many receipt and disbursement adjustments made between the General Fund and Special Revenue Fund due to the grants not being appropriately charged during the year, making it difficult to audit as no back-up was maintained for these adjustments. All charges were made to the General Fund and then redistributed at year-end. The current Business administrator identified improper charges that required adjustments.

Recommendation 2021-5: The District should charge the grants for grant expenditures directly to ensure that the charges are proper and timely reimbursements are made.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-16.2(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, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (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 \$19,600 for 2020-21.

The District 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 solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*.

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

School Food Service Fund

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.

The District utilizes Pomptonian Food Service, 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 does not contain a minimum guarantee of profit. 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 financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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 claims were submitted/certified in a timely manner.

School Food Service Fund (Continued)

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, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completed and available for review.

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

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education.

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

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

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.

Food Distribution Program commodities were received and a separate inventory was maintained.

Application for State School Aid

Our audit procedures included a test of information reported on the October 15, 2020 Application for State School Aid.

The information on the A.S.S.A. was compared to the district workpapers without exception.

Student Activities

Our review of the records of the district's student activity account disclosed no reportable conditions.

Pupil Transportation

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Follow-up on Prior Years' Findings

Corrective action has been taken on the prior year finding regarding the Board Secretary's report.

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.

4% Calculation of Excess Surplus

2020-21 Total General Fund Expenditures Per the ACFR	\$ 18,983,461
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,847,383)</u>
Adjusted 2020-21 General Fund Expenditures	<u>\$ 17,136,078</u>
4% of Adjusted 2020-21 General Fund Expenditures	<u>\$ 685,443</u>
Enter Greater of Above or \$250,000	\$ 685,443
Increased by Allowable Adjustment	<u>68,133</u>
Maximum Unassigned Fund Balance	<u>\$ 753,576</u>

Section 2

Total General Fund – Fund Balance @ 6-30-21	\$ 5,817,755
Decreased by:	
Year-End Encumbrances	(151,691)
Excess Surplus - Designated for Subsequent Years Expenditures	(878,981)
Tuition Reserve - Designated for Subsequent Years Expenditures	(1,000,000)
Unemployment	(40,359)
Other Restricted Fund Balances	<u>(1,978,903)</u>
Total Unassigned Fund Balance	<u>\$ 1,767,821</u>
Reserved Fund Balance - Excess Surplus	<u>\$ 1,014,245</u>

Section 3

Reserved Fund Balance – Excess Surplus Designated for Subsequent Years Expenditures	\$ 878,981
Excess Surplus	<u>1,014,245</u>
	<u>\$ 1,893,226</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 66,683
Non Public Transportation	<u>1,450</u>
	<u>\$ 68,133</u>

Detail of Other Reserved Fund Balance

Maintenance Reserve	\$ 627,745
Capital Reserve	<u>1,351,158</u>
Total	<u>\$ 1,978,903</u>

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2020

	2021-2022 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	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		Reported On A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full Day Preschool - 3yrs.	29		29					29		29						
Full Day Preschool - 4yrs.	29		29					29		29						
Full Day Kindergarten	44		44					44		44						
One	52		52					52		52						
Two	55		55					55		55						
Three	64		64					64		64						
Four	50		50					50		50						
Five	46		46					46		46						
Six	57		57					57		57						
Subtotal	<u>426</u>	<u>0</u>	<u>426</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>426</u>	<u>0</u>	<u>426</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	67		67					67		67						
Special Ed. - Middle School	12		12					12		12			5	5	5	
Special Ed. - High School																
Subtotal	<u>79</u>	<u>0</u>	<u>79</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>79</u>	<u>0</u>	<u>79</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>505</u>	<u>0</u>	<u>505</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>505</u>	<u>0</u>	<u>505</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>						<u>0%</u>	<u>0%</u>			<u>0%</u>

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2020

	Resident Low Income			Sample for Verification			Resident LEP Not Low Income - N/A			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 Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Preschool	16	16		9	9							
Full Day Kindergarten	15	15		12	12							
One	28	28		23	23							
Two	15	15		7	7							
Three	34	34		19	19							
Four	20	20		11	11							
Five	14	14		12	12							
Six	21	21		15	15							
Subtotal	163	163	0	108	108	0	0	0	0	0	0	0
Special Ed. - Elementary	35	35		27	27							
Special Ed. - Middle School	7	7		5	5							
Special Ed. - High School												
Subtotal	42	42	0	32	32	0	0	0	0	0	0	0
Totals	205	205	0	140	140	0	0	0	0	0	0	0
Percentage Error			0%			0%			0%			0%

RESIDENT LEP LOW INCOME STUDENTS

	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
Full Day Kindergarten						
One	1	1		1	1	
Two	1	1		1	1	
Three	1	1		1	1	
Four						
Five						
Six						
Subtotal	3	3	0	3	3	0
Special Ed. - Elementary	1	1		1	1	
Special Ed. - Middle School						
Special Ed. - High School						
Subtotal	1	1	0	1	1	0
Totals	4	4	0	4	4	0
Percentage Error			0%			0%

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2020

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	433	433		197	197	
Reg. Special Education, col. 4	19	19		19	19	
Transported - Non-Public, col. 3	2	2		2	2	
Special Education Spec., col. 6	27	27		27	27	
Totals	<u>481</u>	<u>481</u>	<u>0</u>	<u>245</u>	<u>245</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>
				<u>Reported</u>		<u>Recalculated</u>
Reg. Avg. (Mileage) = Regular Including Grade PK Students (Part A)				6		6
Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part A)				6.1		6.1
Special Education Average				7.3		7.3

SCHEDULE OF MEAL COUNT ACTIVITY

OCEAN TOWNSHIP SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<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 (High Rate)	Paid					\$ 0.380 *	\$ -
	Reduced					3.165	-
	Free	43,210	22,053	22,053		3.565	-
		<u>43,210</u>	<u>22,053</u>	<u>22,053</u>	<u>-</u>		<u>-</u>
National School Breakfast (Severe Needs)*	Paid					\$ 0.320	-
	Reduced					1.960	-
	Free	17,093	9,547	9,547		2.260	-
		<u>17,093</u>	<u>9,547</u>	<u>9,547</u>	<u>-</u>		<u>-</u>
Total		<u>60,303</u>	<u>31,600</u>	<u>31,600</u>	<u>-</u>		<u>-</u>

* The District also receives \$0.07 for HHFKA Meals

OCEAN TOWNSHIP 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, 2021

<u>Net Cash Resources:</u>		<u>Food Service</u>
		<u>G - 1/2</u>
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 9,103
G-1	Accounts Receivables	25,567
	Current Liabilities	
G-1	Less Accounts Payable	<u>(3,650)</u>
	Net Cash Resources	<u><u>\$ 31,020 (A)</u></u>
<u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	266,591
G-2	Less Depreciation	<u>(1,119)</u>
	Adjusted Total Operating Expenses	<u><u>265,472 (B)</u></u>
<u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 26,547 (C)</u></u>
<u>Three Times Monthly Average</u>		
	3 X C	<u><u>\$ 79,642</u></u>
Total in (A)		\$ 31,020
Less Total in (D)		<u>(79,642)</u>
Net		<u><u>\$ (48,622)</u></u>

OCEAN TOWNSHIP SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Recommendation 2021-1: The General Fund should be proven out on a monthly basis and any necessary adjustments made before the close of the year.

Recommendation 2021-2: When transfers potentially will exceed 10%, approval must be requested and received from the County Superintendent's Office, as required.

Recommendation 2021-3: The District should follow-up any request for additional information in order to receive all eligible SDA reimbursements for the completed Capital projects.

Recommendation 2021-4: The grant expenditures should be reviewed on a monthly basis and if reimbursements are required, that they then be submitted on a timely basis.

Recommendation 2021-5: The District should charge the grants for grant expenditures directly to ensure that the charges are proper and timely reimbursements are made.

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

OCEAN TOWNSHIP SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Recommendations (Continued):

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Corrective action has been taken on the prior year finding regarding the Board Secretary report.