

**Ocean Township Board of Education**

**Auditor's Management Report**

**County of Ocean**

**June 30, 2022**

**Robert A. Hulsart & Company  
Certified Public Accountants  
2807 Hurley Pond Road, Suite 100  
Wall, New Jersey 07719**

## AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

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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.

E-mail:  
rah@monmouth.com

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

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.


**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, 2022, and have issued our report thereon dated February 15, 2023.

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.

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

**ROBERT A. HULSART AND COMPANY**

February 15, 2023

## **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**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount</u></b>
Steven Terhune	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 no reportable conditions.

### **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 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.

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 the special projects indicated no areas of noncompliance.

### **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 2021-22.

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 exceeded 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.

Due to the ongoing public health emergency, New Jersey school districts were being reimbursed by the Federal Government at the free meal reimbursement rate for all lunches served, regardless of being free, reduced or at full price. This resulted in Districts receiving an unprecedented amount of revenue in 2021-2022.

The District could not reasonably or responsibly spend this level of funding in a single fiscal year. To address this, the District has a plan in place to expend the funding responsibly over the next year. In our opinion, it is unreasonable to cite the school district management for a situation they had no control over.

### **Application for State School Aid**

Our audit procedures included a test of information reported on the October 15, 2021 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**

2021-22 Total General Fund Expenditures Per the ACFR	\$ 18,762,272
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(2,385,268)</u>
Adjusted 2021-22 General Fund Expenditures	<u>\$ 16,377,004</u>
4% of Adjusted 2021-22 General Fund Expenditures	<u>\$ 655,080</u>
Enter Greater of Above or \$250,000	\$ 655,080
Increased by Allowable Adjustment	<u>106,242</u>
Maximum Unassigned Fund Balance	<u>\$ 761,322</u>

**Section 2**

Total General Fund -- Fund Balance @ 6-30-22	\$ 5,007,158
Decreased by:	
Year-End Encumbrances	(90,152)
Excess Surplus - Designated for Subsequent Years Expenditures	(1,206,145)
Designated for Subsequent Years Expenditures -- BOE	(40,903)
Designated for Subsequent Years Expenditures - Maintenance Reserve	(217,373)
Unemployment	(45,383)
Other Restricted Fund Balances	<u>(1,763,030)</u>
Total Unassigned Fund Balance	<u>\$ 1,644,172</u>
Reserved Fund Balance - Excess Surplus	<u>\$ 882,850</u>

**Section 3**

Reserved Fund Balance -- Excess Surplus Designated for Subsequent Years Expenditures	\$ 1,206,145
Excess Surplus	<u>882,850</u>
	<u>\$ 2,088,995</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	\$ 102,472
Non Public Transportation	<u>3,770</u>
	<u>\$ 106,242</u>

**Detail of Other Reserved Fund Balance**

Maintenance Reserve	\$ 410,872
Capital Reserve	<u>1,352,158</u>
Total	<u>\$ 1,763,030</u>

**OCEAN TOWNSHIP SCHOOL DISTRICT**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2021**

	2022-2023 Application for State School Aid						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				from Workpapers		Registers on Roll		on Roll		A.S.S.A. as	Verification	Verified	Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools				
Full Day Preschool - 3yrs.	38		38				38		38								
Full Day Preschool - 4yrs.	43		43				43		43								
Full Day Kindergarten	46		46				46		46								
One	48		48				48		48								
Two	46		46				46		46								
Three	55		55				55		55								
Four	63		63				63		63								
Five	51		51				51		51								
Six	46		46				46		46								
Subtotal	436	0	436	0	0	0	436	0	436	0	0	0	0	0	0	0	0
Special Ed. - Elementary	63		63				63		63								
Special Ed. - Middle School	13		13				13		13				2	2	2		
Special Ed. - High School													4	4	4		
Subtotal	76	0	76	0	0	0	76	0	76	0	0	0	6	6	6	0	0
Co. Voc. - Regular																	
Co. Voc. - Ft. Post Sec.																	
Totals	512	0	512	0	0	0	512	0	512	0	0	0	6	6	6	0	0
Percentage Error					0%	0%					0%	0%					0%

**OCEAN TOWNSHIP SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

**ENROLLMENT AS OF OCTOBER 15, 2021**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A. as Not Low Income</u>	<u>Reported on Workpapers as Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Preschool	17	17		14	14							
Full Day Kindergarten	13	13		10	10							
One	15	15		12	12							
Two	21	21		17	17							
Three	11	11		9	9							
Four	29	29		19	19		2	2		2	2	
Five	14	14		11	11							
Six	14	14		10	10							
Subtotal	<u>134</u>	<u>134</u>	<u>0</u>	<u>102</u>	<u>102</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Special Ed. - Elementary	30	30		23	23							
Special Ed. - Middle School	7	7		5	5							
Special Ed. - High School												
Subtotal	<u>37</u>	<u>37</u>	<u>0</u>	<u>28</u>	<u>28</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>171</u>	<u>171</u>	<u>0</u>	<u>130</u>	<u>130</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

**RESIDENT LEP LOW INCOME STUDENTS**

	<u>Resident LEP - Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten						
One						
Two	1	1		1	1	
Three						
Four	1	1		1	1	
Five						
Six						
Subtotal	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Special Ed. - Elementary						
Special Ed. - Middle School	1	1		1	1	
Special Ed. - High School						
Subtotal	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>3</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2021

	<u>Transportation</u>					
	<u>Reported on DRTRS by DOE/County</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
Reg. - Public Schools, col. 1	410	410		197	197	
Reg. Special Education, col. 4	103	103		80	80	
Transported - Non-Public, col. 3						
Special Education Spec., col. 6	<u>31</u>	<u>31</u>		<u>31</u>	<u>31</u>	
Totals	<u>544</u>	<u>544</u>	<u>0</u>	<u>308</u>	<u>308</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)				6.2		6.2
Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part A)				6.2		6.2
Special Education Average				5.8		5.8

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, 2022

<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					\$ 0.470	\$ -
	Reduced					3.385	-
	Free	64,402	35,706	35,706		3.785 *	-
		<u>64,402</u>	<u>35,706</u>	<u>35,706</u>	<u>-</u>		<u>-</u>
National School Breakfast (Severe Needs)	Paid					\$ 0.330	-
	Reduced					2.050	-
	Free	20,200	10,012	10,012		2.350 *	-
		<u>20,200</u>	<u>10,012</u>	<u>10,012</u>	<u>-</u>		<u>-</u>
Total		<u>84,602</u>	<u>45,718</u>	<u>45,718</u>	<u>-</u>		<u>-</u>

\* - Seamless Summer Option

\*\* 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, 2022**

<b><u>Net Cash Resources:</u></b>		<b><u>Food Service</u></b> <b><u>G - 1/2</u></b>
<b>CAFR</b>	<b>Current Assets</b>	
G-1	Cash & Cash Equivalents	\$ 126,006
G-1	Accounts Receivables	31,268
	<b>Current Liabilities</b>	
G-1	Less Accounts Payable	<u>-</u>
	<b>Net Cash Resources</b>	<b><u>\$ 157,274 (A)</u></b>
 <b><u>Net Adjustment Total Operating Expense:</u></b>		
G-2	Total Operating Expenses	291,097
G-2	Less Depreciation	<u>(2,158)</u>
	Adjusted Total Operating Expenses	<b><u>288,939 (B)</u></b>
 <b><u>Average Monthly Operating Expense:</u></b>		
	B / 10	<b><u>\$ 28,894 (C)</u></b>
 <b><u>Three Times Monthly Average</u></b>		
	3 X C	<b><u>\$ 86,682</u></b>
Total in ( A )		\$ 157,274
Less Total in ( D )		<u>(86,682)</u>
Net		<b><u>\$ 70,592</u></b>

**OCEAN TOWNSHIP SCHOOL DISTRICT**  
**AUDIT RECOMMENDATIONS SUMMARY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Recommendations:

1. Administrative Practices and Procedures  
None
2. Financial Planning, Accounting and Reporting  
None
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

Corrective action has been taken on the prior year findings regarding:

- 1) General Fund Trial Balance
- 2) Approved Transfers
- 3) SDA Applications
- 4) Grant Expenditures/Reimbursements