

NEW PROVIDENCE SCHOOL DISTRICT

**AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

NEW PROVIDENCE SCHOOL DISTRICT

AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE

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REPORT OF INDEPENDENT AUDITORS


Honorable President and
Members of the Board of Education
New Providence School District
County of Union
New Providence, 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 basic financial statements of the Board of Education of the New Providence School District in the County of Union for the year ended June 30, 2017, and have issued our report thereon dated November 29, 2017.

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 New Providence 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.


DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants


JASON R. GIRONDA
Certified Public Accountant
Public School Accountant No. 20CS00264800

Bayonne, New Jersey
November 29, 2017

Administrative Findings - Financial, Compliance and Performance

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, including those duties of the Treasurer of School Moneys, whose position was abolished and assumed by the Board Secretary/School Business Administrator, the activities of the Board of Education, and 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.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
James Testa	Board Secretary/School Business Administrator	\$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 \$250,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease 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 during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Financial Planning, Accounting and Reporting (Continued)

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/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium withholding due to the general fund.

Payrolls were delivered to the secretary of the board whose office then deposited with warrants in separate bank accounts for net payroll and withholdings.

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 discrepancies were noted.

Travel

The District did have an approved Board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12. Our review of the travel records disclosed no discrepancies.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed no discrepancies.

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

Our review of the records of the Treasurer, performed by the Board Secretary, disclosed no discrepancies.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) As Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and re-authorized.

The study of compliance for E.S.E.A. indicated no 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.

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.

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 reimbursements filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the District to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the District for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 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 School Business Administrator for the School District is a Qualified Purchasing Agent, which allows the bid threshold to be \$40,000). The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800.

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of my examination indicated that no individual payments, contracts, or agreements were 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, amended.

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

School Food Service

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

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. No exceptions noted. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of \$35,000. The operating results provision has been met.

School Food Service (Continued)

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

The cash disbursements records reflected expenditures for program related goods and services (no exceptions were noted). 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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food service employees authorized by the District. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy (no exceptions were noted). The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students 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. Sites approved to participate in Provisions I and II complied with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions noted.

Student Body Activities

Our review of the student activity funds, found them to be in proper form and order.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2016, Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. 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 and the following exceptions were noted. The information that was included on the workpapers was verified and the following exceptions were noted. 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 written procedures appear to be adequate for the recording of student enrollment data.

Application for State School Aid (Continued)

Finding: The amount of students reported on the A.S.S.A as On-Roll and Low Income does not agree to the amount reported on the workpapers.

Recommendation: The amount of students reported on the A.S.S.A. should agree to the amount reported on the workpapers.

Finding: The amount of students reported on the A.S.S.A. as Private School for Disabled is not accurate. This is due to a student being sent to a school that is not on the State's list of approved Private Schools for the Disabled.

Recommendation: In order for a student to be listed on the A.S.S.A. as Private School for Disabled, they must attend a private school approved by the State.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with the following exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding: The number of students reported on the DRTRS is inaccurate because one student's IEP does not include a transportation need or specifically require the student to be transported, and he or she does not meet the remote mileage requirement.

Recommendation: In order for a student to be listed on the DRTRS their IEP needs to include a transportation need or specifically require the student to be transported, or he or she needs to meet the remote mileage requirement.

Finding: The amount of reported mileage on the DRTRS for Special Education Average is inaccurate due to a calculation error. The correct mileage amount is listed in the Recalculated column.

Recommendation: The amount of reported mileage to be listed on the DRTRS should be recalculated before finalizing the report.

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. 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 Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action has been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the School District and I greatly appreciate the courtesies extended to the members of the audit team.


DONOHUE, GIRONDA, DORIA & TOMKINS, LLC
Certified Public Accountants



JASON R. GIRONDA
Certified Public Accountant
Public School Accountant No. 20CS00264800

Bayonne, New Jersey
November 29, 2017

SCHEDULE OF AUDITED ENROLLMENTS

NEW PROVIDENCE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

	2017-2018 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				
Half Day Preschool	24		24		-		24		24		-					
Full Day Preschool	0		0		-		0		0		-					
Half Day Kindergarten	115		115		-		115		115		-					
Full Day Kindergarten	0		0		-		0		0		-					
One	187		187		-		187		187		-					
Two	173		172		1		173		172		1					
Three	173		173		-		173		173		-					
Four	183		183		-		183		183		-					
Five	190		190		-		190		190		-					
Six	168		168		-		168		168		-					
Seven	157		157		-		157		157		-					
Eight	153		153		-		153		153		-					
Nine	129		129		-		129		129		-					
Ten	159		159		-		159		159		-					
Eleven	147		147	2	-	(2)	147		147	2	-	(2)				
Twelve	155		155		-		155		155		-					
Post-Graduate					-						-					
Adult H.S. (15+CR.)					-						-					
Adult H.S. (1-14 CR.)					-						-					
Subtotal	2,113	0	2,112	2	1	(2)	2,113	0	2,112	2	1	(2)	0	0	0	0
Special Ed - Elementary	109		110		(1)		109		110		(1)		8	8	7	1
Special Ed - Middle School	81		83		(2)		81		83		(2)		5	4	4	-
Special Ed - High School	66	4	66	4	-		66	4	66	4	-		13	11	11	-
Subtotal	256	4	259	4	(3)	0	256	4	259	4	(3)	0	26	23	22	1
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	2,369	4	2,371	6	(2)	(2)	2,369	4	2,371	6	(2)	(2)	26	23	22	1
Percentage Error					<u>-0.08%</u>	<u>-50.00%</u>					<u>-0.08%</u>	<u>-50.00%</u>				<u>3.85%</u>

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SCHEDULE OF AUDITED ENROLLMENTS

**NEW PROVIDENCE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	4	4	-	4	4	-	1	1	-	1	1	
Two	2	2	-	2	2	-	1	1	-	1	1	
Three	6	6	-	4	4	-						
Four	7	7	-	6	6	-	2	2	-	2	2	
Five	3	3	-	3	3	-						
Six	9	9	-	5	5	-						
Seven	6	6	-	5	5	-						
Eight	6	6	-	5	5	-						
Nine	8	7	1	8	7	1						
Ten	4	4	-	4	4	-	1	1	-	1	1	
Eleven	3	3	-	3	3	-						
Twelve	7	7	-	5	5	-	1	1	-	1	1	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	65	64	1	54	53	1	6	6	0	6	6	0
Special Ed - Elementary	2	2	-	2	2	-						
Special Ed - Middle	7	7	-	3	3	-						
Special Ed - High	2	2	-	2	2	-						
Subtotal	11	11	0	7	7	0	0	0	0	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	76	75	1	61	60	1	6	6	0	6	6	0
Percentage Error			1.32%			1.64%			0.00%			0.00%
Transportation												
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors						
Reg. - Public Schools, col. 1	65	65		45	45							
Reg -SpEd, col. 4	8	8		4	3	1						
Transported - Non-Public, col. 3												
Special Ed Spec, col. 6	58	58		40	40							
Totals	131	131	0	89	88	1						
Percentage Error						1.12%						
							Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)	7.8	7.8			
							Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part B)	7.8	7.8			
							Spec Avg. = Special Ed with Special Needs	11.3	7.8			

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SCHEDULE OF AUDITED ENROLLMENTS

NEW PROVIDENCE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</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>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten	6	6		6	6	
Full Day Kindergarten						
One	7	7		7	7	
Two	2	2		2	2	
Three	1	1		1	1	
Four	4	4		4	4	
Five						
Six	3	3		3	3	
Seven						
Eight	2	2		2	2	
Nine						
Ten						
Eleven	1	1		1	1	
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>26</u>	<u>26</u>	<u>0</u>	<u>26</u>	<u>26</u>	<u>0</u>
Special Ed - Elementary	2	2		2	2	
Special Ed - Middle				2	2	
Special Ed - High	3	3		2	2	
Subtotal	<u>5</u>	<u>5</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>31</u>	<u>31</u>	<u>0</u>	<u>32</u>	<u>32</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2016 - 2017 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 40,541,417	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		(B1a)
Transfer from Capital Reserve to Capital Projects Fund		(B1b)
Transfer from General Fund to SRF for PreK-Regular		(B1c)
Transfer from General Fund to SRF for PreK-Inclusion		(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	4,451,286	(B2a)
Assets Acquired Under Capital Leases	<u>85,320</u>	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 36,004,811</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ 720,096	(B4)
Enter Greater of (B4) or \$250,000	720,096	(B5)
Increased by: Allowable Adjustment (Increase in Extraordinary Aid)		<u>(K)</u>
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	<u>\$ 720,096</u>	(M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 3,540,405	(C)
Decreased by:		
Year-end Encumbrances	632,675	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	426,403	(C3)
Other Reserved Fund Balances - Capital Reserve	500,093	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>288,597</u>	(C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 1,692,637</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0-	<u>\$ 972,541</u>	(E)
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Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 426,403	(C3)
Reserved Excess Surplus [(E)]	<u>972,541</u>	(E)
Total Excess Surplus [(C3)+(E)]	<u>\$ 1,398,944</u>	(D)