

**Shrewsbury Board of Education**

**Auditor's Management Report**

**County of Monmouth**

**June 30, 2017**

**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  
Shrewsbury School District  
County of Monmouth, 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 Shrewsbury School District in the County of Monmouth, for the year ended June 30, 2017, and have issued our report thereon dated December 1, 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 Shrewsbury 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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Licensed Public School Accountant  
No. 322  
**ROBERT A. HULSART AND COMPANY**

December 1, 2017

**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>
Debora Avento	School Business Administrator	\$ 100,000
Loretta Hill	Treasurer	175,000

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

**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 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.

### **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.

### **Tuition Charges**

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:23-3.1(f)3*.

### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions. The records of the Board Secretary are maintained in an acceptable condition.

The Board Secretary's records were compared to the Treasurer's records and found to be in agreement.

### **Treasurer's Records**

The Treasurer's records were in agreement with the records of the Board Secretary.

The Treasurer's cash balance for the general operating account was in agreement with the reconciled cash balance as determined during the audit, after adjustment for distribution.

### **Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001**

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 and Title IIA of the E.S.E.A. as amended.

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.

### **Other Special Federal and/or State Projects (Continued)**

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 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.

### **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 \$40,000.00 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.

Debi Avento 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.

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 is currently \$18,800.00.

## **School Purchasing Programs (Continued)**

### **Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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 Board has a contract with Red Bank Regional High School for the 2016-17 school year, to supply lunches for the school district.

The financial transactions and statistical records of the school food service fund were reviewed.

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. All food services charges were properly recorded.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education. No exceptions were noted.

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.

Cash receipts and bank records were reviewed for timely deposits.

### **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.

### **Student Body Activities**

During our review of the student activity funds, all records were found to be in good order and no exceptions were noted.

### **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. 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 equivalent.

The districts written procedures appear to be adequate for the recording of student enrollment data.

### **Follow-Up on Prior Year's 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 we greatly appreciate the courtesies extended to the members of the audit staff.



**2% Calculation of Excess Surplus**

2016-17 Total General Fund Expenditures Per the CAFR	\$ 8,722,143
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,003,182)</u>
Adjusted 2016-2017 General Fund Expenditures	<u>\$ 7,718,961</u>
2% of Adjusted 2015-16 General Fund Expenditures	<u>\$ 154,379</u>
Enter Above or \$250,000, whichever is greater	\$ 250,000
Increased by Allowable Adjustments	<u>2,552</u>
Maximum Unassigned Fund Balance	<u>\$ 252,552</u>

**Section 2**

Total General Fund – Fund Balance @ 6-30-17	\$ 1,043,394
Decreased by:	
Reserve for Encumbrances	(204,722)
Designated for Subsequent Year’s Expenditures – Excess Surplus	(216,106)
Designated for Subsequent Year’s Expenditures	(18,822)
Other Reserves	<u>(326,192)</u>
Total Unassigned Fund Balance	<u>\$ 277,552</u>
Excess Surplus	<u>\$ 25,000</u>

**Section 3**

Excess Surplus - Designated for Subsequent Expenditures	\$ 216,106
Excess Surplus	<u>156,187</u>
	<u>\$ 372,293</u>

**Detail of Other Reserved Fund Balances**

Maintenance Reserve	\$ 170,005
Capital Reserve	<u>156,187</u>
	<u>\$ 326,192</u>

**Detail of Allowable Adjustment**

Non-Public Transportation	<u>\$ 2,552</u>
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**SHREWSBURY SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

Sheet 1 of 2

**ENROLLMENT AS OF OCTOBER 15, 2016**

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Handicapped			
	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			
Half Day Preschool - 3yrs	4		4				4		4							
Full Day Preschool - 3yrs																
Half Day Preschool - 4yrs																
Full Day Preschool - 4yrs	4		4				4		4							
Full Day Kindergarten	29		29				29		29							
One	41		41				41		41							
Two	49		49				49		49							
Three	31		31				31		31							
Four	51		51				51		51							
Five	50		50				50		50							
Six	53		53				53		53							
Seven	43		43				43		43							
Eight	53		53				53		53							
Subtotal	<u>408</u>	<u>0</u>	<u>408</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>408</u>	<u>0</u>	<u>408</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	58		58				58		58							
Special Ed. - Middle School	19		19				19		19							
Special Ed. - High School																
Subtotal	<u>77</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>77</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>485</u>	<u>0</u>	<u>485</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>485</u>	<u>0</u>	<u>485</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>				<u>0%</u>	<u>0%</u>					<u>0%</u>

**SHREWSBURY SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

**ENROLLMENT AS OF OCTOBER 15, 2016**

	<u>Low Income</u>			<u>Sample for Verification</u>			<u>LEP - Not Low Income N/A</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 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</u>	<u>Sample Errors</u>
Half Day Kindergarten												
Full Day Kindergarten												
One												
Two	1	1		1	1							
Three												
Four	1	1		1	1							
Five												
Six	2	2		2	2							
Seven												
Eight												
Subtotal	<u>4</u>	<u>4</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	1	1		1	1							
Special Ed. - Middle School	1	1		1	1							
Special Ed. - High School												
Subtotal	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>6</u>	<u>6</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

**LEP - Low Income - N/A**

**Transportation**

	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>		<u>Reported</u>	<u>Recalculated</u>
	Reg. - Public Schools - col. 1	0	0		0	0			Avg. Mileage - Regular Including Grade PK Students (Part A)
Reg. - Special Education - col. 2	0	0		0	0		Avg. Mileage - Regular Excluding Grade PK Students (Part B)	4	4
Transported - Non-Public - col. 3	31	31		31	31		Avg. Mileage - Special Ed. With/Without Special Needs	0	0
Special Education Special Needs - col. 6	0	0		0	0				
Totals	<u>31</u>	<u>31</u>	<u>0</u>	<u>31</u>	<u>31</u>	<u>0</u>			
Percentage Error			<u>0%</u>			<u>0%</u>			