

**CARTERET BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**CARTERET BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members
of the Board of Trustees
Borough of Carteret
County of Middlesex, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Carteret Board of Education of the Carteret School District in the County of Middlesex for the year ended June 30, 2015, and have issued our report thereon dated December 3, 2015.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey 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 and use of the Carteret Board of Education's management and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
December 3, 2015

**CARTERET BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Scope of Audit

The audit covered the financial transactions of 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 (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position and Coverage Period</u>	<u>Amount</u>
Nilkanth Patel	Board Secretary/Business Administrator	\$300,000

There is Public Employee Dishonesty with Faithful Performance coverage with the New Jersey Schools Insurance Group covering all other employees in the amount of \$250,000.

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 payroll taxes were deposited in the Payroll Agency Account.

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

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

Payrolls were delivered to the Board Secretary who then deposited with warrants in separate bank accounts, for net payroll and withholdings.

The Board implemented and maintains a personnel tracking and accounting (Position Control) system.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classifications of orders as reserve for encumbrances and accounts payable.

**CARTERET BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

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.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in satisfactory condition

Acknowledgement of the Board's receipt of the Board Secretary's monthly financial reports was included in the minutes.

The Board Secretary promptly deposited all cash receipts.

The prescribed contractual order system was followed.

The Department of Education, Office of Fiscal Accountability and Compliance (OFAC) conducted a limited scope of review involving the process and methodology used by the Carteret School District and the Board of Education (Board) related to the anticipated deficit/overexpenditure of funds, as the direct result of a retroactive salary increase approved by the Board. The results of the review were provided in a report.

The Carteret Board of Education reviewed and discussed the findings in the report at a public board meeting. The Board adopted a resolution certifying that the findings were discussed in a public meeting and approved a corrective action plan which addresses the issues raised in the report. A copy of the resolution and the approved corrective action plan is on file with the District.

Board Designee – Bank Reconciliations

The Board Designee other than the Board Secretary performed cash reconciliations for the general operating account, payroll account and payroll agency accounts.

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 projects under Titles I, II and III of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 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.

**CARTERET BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

During the 2014/15 school year the New Jersey Department of Education completed a review of funds received for the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA) for the period July 1, 2012 through June 26, 2014. A report covering the review was reviewed and discussed at a public Board meeting and a corrective action plan (CAP) was approved by Board resolution. The report dated December 5, 2014 and the corrective action plan are on file with the District.

T.P.A.F. Reimbursement

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

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current years Final Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 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 threshold in accordance with N.J.S.A. 18A:18A-2, 18A:18A-3(a) is \$36,000 with a qualified purchasing agent. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300.

Contracts and Agreements Requiring Advertisement for Bids (Continued)

If the purchasing agent is qualified pursuant to subsection b 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 \$36,000. 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. The Board has designated the Business Administrator as the qualified purchasing agent and approved the bid threshold at \$36,000.

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 when there had been no advertising 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.

**CARTERET BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Food Service

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts and meal 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. Meals claimed did agree with meal count records. Reimbursement claims were submitted/certified in a timely manner.

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 policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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 \$100,000. The operating results provision has been met.

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.

The cash disbursements records reflected expenditures for program related goods and services. 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 services employees authorized by the board of education.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

USDA Food Distribution Program commodities were received and a single inventory was maintained on a first-in first-out basis. No exceptions were noted.

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

The District engaged Maschio's Food Services, Inc. to operate its food service operation during the 2014/15 school year.

The New Jersey Department of Agriculture conducted an administrative review of the Carteret Board of Education's child nutrition program during the 2014/15 school year. The review noted that the food service records were extremely well organized and in excellent condition. The report included a isolated finding related to the verification of an application for free/reduced meals. The District approved and submitted a corrective action plan (CAP) in response to the report issued and the State of New Jersey Department of Agriculture has approved the CAP and closed the review.

**CARTERET BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Student Body Activity

The Board has a policy which clearly established the regulation of student activity funds.

All receipts were promptly deposited.

Cash disbursements had proper supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (A.S.S.A.) for on-roll, related services, 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 without exception. The information that was included on the workpapers was verified with immaterial exceptions. 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 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 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with immaterial exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreement for consistence with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

Suggestions to Management

Old outstanding checks in the Student Activity accounts be reviewed and cleared of record.

**CARTERET BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Under (Over) Claim</u>
National School Lunch (High Rate)	Paid	77,743	36,144	36,144	-	0.28	-
	Reduced	39,693	17,669	17,669	-	2.58	-
	Free	<u>287,471</u>	<u>129,715</u>	<u>129,715</u>	<u>-</u>	2.98	<u>-</u>
		<u>404,907</u>	<u>183,528</u>	<u>183,528</u>	<u>-</u>		<u>-</u>
National School Lunch	HHFKA-PB Lunch Only	<u>404,907</u>	<u>183,528</u>	<u>183,528</u>	<u>-</u>	0.06	<u>-</u>
National School Breakfast (Severe Need)	Paid	8,524	3,970	3,970	-	0.28	-
	Reduced	4,153	1,928	1,928	-	1.63	-
	Free	<u>57,049</u>	<u>25,535</u>	<u>25,535</u>	<u>-</u>	1.93	<u>-</u>
		<u>69,726</u>	<u>31,433</u>	<u>31,433</u>	<u>-</u>		<u>-</u>
After School Snacks (Regular Rate)	Free	<u>57,794</u>	<u>28,162</u>	<u>28,162</u>	<u>-</u>	0.82	<u>-</u>
		<u>57,794</u>	<u>28,162</u>	<u>28,162</u>	<u>-</u>		<u>-</u>

**CARTERET BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Cash Resources

Current Assets

Cash and Cash Equivalents	\$ (60,370)
Due from Other Governments	<u>72,628</u>

Current Liabilities

Less:	
Accounts Payable	<u>-</u>

Net Cash Resources	<u>\$ 12,258</u>
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Adjusted Total Operating Expense:

Total Operating Expenses	\$ 1,906,081
Less Depreciation	<u>(43,719)</u>

Adjusted Total Operating Expense	<u>\$ 1,862,362</u>
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<u>Average Monthly Operating Expense:</u>	<u>\$ 186,236</u>
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<u>Three Times Monthly Average:</u>	<u>\$ 558,709</u>
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Total Net Cash Resources	\$ 12,258
Three Times Monthly Average	<u>558,709</u>

Excess(Deficit) Cash Resources	<u>\$ (546,451)</u>
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**CARTERET BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	2015-2016 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 Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample from Work- papers	Sample Verfied	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 4 yrs	140.0		140.0		-		41.0		41.0		-	-				
Full Day Preschool 4 yrs																
Half Day Kindergarten																
Full Day Kindergarten	269		269		-	-	96		96		-	-				
Grade 1	302		301		1	-	88		88		-	-				
Grade 2	240		240		-	-	91		91		-	-				
Grade 3	256		256		-	-	106		106		-	-				
Grade 4	233		233		-	-	61		61		-	-				
Grade 5	255		255		-	-	77		77		-	-				
Grade 6	235		235		-	-	235		235		-	-				
Grade 7	275		275		-	-	275		275		-	-				
Grade 8	256		256		-	-	256		256		-	-				
Grade 9	239		239		-	-	239		239		-	-				
Grade 10	257		257		-	-	257		257		-	-				
Grade 11	240		240		-	-	240		240		-	-				
Grade 12	195		195		-	-	195		195		-	-				
Adult School																
Subtotal	3,392	-	3,391	-	1	-	2,257	-	2,257	-	-	-	-	-	-	-
Special Ed - Elementary	144		145		(1)	-	24		24		-	-	6	4	4	
Special Ed - Middle	83	2	83	2	-	-	15	1	15	1	-	-	10	10	10	
Special Ed - High	102	2	102	2	-	-	19	1	19	1	-	-	19	16	16	
Subtotal	329	4	330	4	(1)	-	58	2	58	2	-	-	35	30	30	-
Totals	3,721	4	3,721	4	-	-	2,315	2	2,315	2	-	-	35	30	30	-
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%

**CARTERET BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Verified to Test Score and Register	Errors
	Half Day Preschool 3 yrs											
Full Day Preschool 3 yrs												
Half Day Preschool 4 yrs												
Full Day Preschool 4 yrs												
Half Day Kindergarten												
Full Day Kindergarten	184	184	-	5	5	-	60	60	-	10	10	-
Grade 1	203	203	-	5	5	-	43	43	-	8	8	-
Grade 2	170	170	-	5	5	-	35	35	-	7	7	-
Grade 3	177	177	-	5	5	-	26	26	-	5	5	-
Grade 4	172	172	-	5	5	-	19	19	-	4	4	-
Grade 5	168	168	-	5	5	-	4	4	-	1	1	-
Grade 6	173	173	-	5	5	-	5	5	-	2	2	-
Grade 7	203	203	-	5	5	-	11	11	-	3	3	-
Grade 8	171	171	-	5	5	-	3	3	-	1	1	-
Grade 9	176	176	-	5	5	-	6	6	-	2	2	-
Grade 10	171	171	-	5	5	-	11	11	-	2	2	-
Grade 11	143	143	-	5	5	-	6	6	-	1	1	-
Grade 12	122	122	-	5	5	-	1	1	-	1	1	-
Subtotal	2,233	2,233	-	65	65	-	230	230	-	47	47	-
Special Ed - Elementary	109	109	-	2	2	-	14	14	-	6	6	-
Special Ed - Middle	80.5	80.5	-	2	2	-	1	1	-			-
Special Ed - High	92.5	92.5	-	2	2	-	1	1	-			-
Subtotal	282	282	-	6	6	-	16	16	-	6	6	-
Totals	2,515	2,515	-	71	71	-	246	246	-	53	53	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
	Reg. - Public Schools	353.0	353.0	-	35.0	34.0
Special Ed. - Public	30.5	34.5	(4.0)	3.0	2.0	1.0
Transported - Non - Public	74.0	74.0	-	7.0	6.0	1.0
Special Needs - Public	86.5	81.5	5.0	8.0	8.0	-
	544.0	543.0	1.0	53.0	50.0	3.0
Percentage Error			0.18%			5.66%

**CARTERET BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP NOT Low Income			Sample for Verification		
	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	Errors
Half Day Preschool 3 yrs						
Full Day Preschool 3 yrs						
Half Day Preschool 4 yrs						
Full Day Preschool 4 yrs						
Half Day Kindergarten						
Full Day Kindergarten	16.0	16.0	-	14.0	14.0	-
Grade 1	11.0	11.0	-	10.0	10.0	-
Grade 2	4.0	4.0	-	2.0	2.0	-
Grade 3	9.0	9.0	-	6.0	6.0	-
Grade 4	4.0	4.0	-	2.0	2.0	-
Grade 5	5.0	5.0	-	2.0	2.0	-
Grade 6	-	-	-	-	-	-
Grade 7	3.0	3.0	-	1.0	1.0	-
Grade 8	4.0	4.0	-	2.0	2.0	-
Grade 9	3.0	3.0	-	1.0	1.0	-
Grade 10	5.0	5.0	-	2.0	2.0	-
Grade 11	6.0	6.0	-	4.0	4.0	-
Grade 12	2.0	2.0	-	1.0	1.0	-
Adult School						
Subtotal	72.0	72.0	-	47.0	47.0	-
Special Ed - Elementary	3.0	3.0	-	2.0	2.0	-
Special Ed - Middle						
Special Ed - High						
Subtotal	3.0	3.0	-	2.0	2.0	-
Totals	75.0	75.0	-	49.0	49.0	-
Percentage Error			0.00%			0.00%

**CARTERET BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1B - Two Percent (2%) - Calculation of Excess Surplus (2014-2015 expenditures of \$100 million or less)

2014-2015 Total General Fund Expenditures per the CAFR (Budgetary Basis)	\$ 55,782,256
Decreased by:	
On-Behalf TPAF Pension & Social Security	(5,065,156)
Assets Acquired Under Capital Lease	<u>(756,129)</u>
Adjusted 2014-2015 General Fund Expenditures	<u>\$ 49,960,971</u>
2% of Adjusted 2014-2015 General Fund Expenditures	\$ 999,219
Increased by: Allowable Adjustments	<u>184,983</u>
Maximum Unassigned Fund Balance	<u>\$ 1,184,202</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2015	\$ 2,153,379
Decreased by:	
Committed Fund Balance - Year End Encumbrances	356,969
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>950,000</u>
Total Unassigned Fund Balance	<u>\$ 846,410</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	<u>\$ -</u>
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Details of Allowable Adjustments

Extraordinary Aid (Excess of Amount Budgeted)	\$ 160,224
Additional Nonpublic School Transportation Aid	<u>24,759</u>
	<u>\$ 184,983</u>

**CARTERET BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

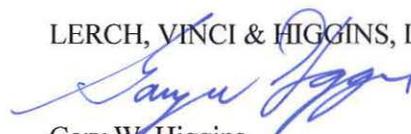
Corrective action was taken on all prior year findings

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Gary W. Higgins
Certified Public Accountant
Public School Accountant