

OCEANPORT BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT
COUNTY OF MONMOUTH
JUNE 30, 2015

ROBERT A. HULSART & COMPANY
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AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Oceanport 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 Oceanport School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 18, 2015.

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 Oceanport 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.

Licensed Public School Accountant
No. 322

ROBERT A. HULSART AND COMPANY

December 18, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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, 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 district's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dennis Kotch	Board Secretary/School Business Administrator from	\$ 175,000

There is a Public Employees' Dishonesty with Faithful Performance Agreement with NJSBA Insurance Group covering all other employees with multiple coverage of \$25,000, subject to a \$500 per occurrence.

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 per pupil costs in accordance with N.J.A.C 6A:23-3.1(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.

Payroll Account

The net salaries of all employees of the Board were deposited in the Net 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 Board in the bill lists in the minute records and were certified by the Board Secretary/School Business Administrator and the Superintendent.

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 goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered as of June 30. No exceptions were noted.

Board Secretary's Records

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

Finding 15-01: There was an unidentified adjustment that was required to bring the Fund Balance into proof with the assets at June 30, 2015. The Business Administrator believes that it is due to Payroll Agency bills that were paid out of the General Fund that were not charged to the 2014-2015 budget in error.

Recommendation 15-01: That the District take steps to analyze the transactions and properly identify the adjustments as of June 30, 2015.

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 transaction 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.

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./N.C.L.B 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 IIA of the E.S.E.A., and IDEA Basic and Preschool.

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 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

Effective July 1, 2010 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 \$26,000.00 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 \$36,000.00. 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. Effective July 1, 2010, the quotation threshold was increased to \$3,900 and \$5,400, respectively.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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, 2014 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 was increased to \$18,300.00.

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 except for as follows:

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

School Food Service Fund

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

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.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to 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 was completeness and availability.

School Food Service Fund (Continued)

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records and 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. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. Districts with food services 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 of the CAFR.

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, 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 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.

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 without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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.

Payroll Agency

During our review of the Payroll Agency Account, the following was noted:

Finding 2015-02: Proper turnovers were made to the Payroll Agency Account but the clerk inadvertently paid Payroll Agency bills out of the General Fund without charging the budget. The payments should have been made out of the Payroll Agency Account. The Agency Account has an account payable due back to the General Fund at June 30, 2015.

Recommendation 2015-02: That procedures be put in place to ensure that the proper account is utilized for paying Payroll Agency liabilities and that no bills are paid without proper budget authorization.

Student Activity Accounts

During our review of the student activity funds, all records were found to be in good order.

Follow-Up on Prior Year's Findings

Corrective action was 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

2014-15 Total General Fund Expenditures Per the CAFR	\$ 9,591,964
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(966,755)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 8,625,209</u>
2% of Adjusted 2014-15 General Fund Expenditures	\$ 250,000
Increased by: Allowable Adjustment	<u>6,419</u>
Maximum Unassigned Fund Balance	<u>\$ 256,419</u>

Section 2

Total General Fund – Fund Balance @ 6-30-15	\$ 2,422,321
Decreased by:	
Year End Encumbrances	(987,637)
Legally Restricted:	
Designated for Subsequent Years Expenditures – Excess Surplus	(255,939)
Other Restricted Reserved Fund Balances	(750,040)
Assigned:	
Designated for Subsequent Years Expenditures	<u>(8,095)</u>
Total Unassigned Fund Balance	<u>\$ 420,610</u>
Excess Surplus – Reserved Fund Balance	<u>\$ 164,191</u>

Section 3

Reserved Fund Balance – Excess Surplus Designated for Subsequent Year's Expenditures	\$ 255,939
Excess Surplus	<u>164,191</u>
	<u>\$ 420,130</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 5,602
Non-Public Transportation	<u>817</u>
	<u>\$ 6,419</u>

Reserves

Emergency Reserve	\$ 250,000
Maintenance Reserve	500,000
Capital Reserve	<u>40</u>
Total Other Restricted/Reserved Fund Balance	<u>\$ 750,040</u>

OCEANPORT SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2013

	2014-15 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	4		4				4		4							
Full Day Preschool - 4yrs	18		18				18		18							
Full Day Kindergarten	55		55				55		55							
One	57		57				57		57							
Two	49		49				49		49							
Three	48		48				48		48							
Four	49		49				49		49							
Five	66		66				66		66							
Six	61		61				61		61							
Seven	62		62				62		62							
Eight	47		47				47		47							
Subtotal	<u>516</u>	<u>0</u>	<u>516</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>516</u>	<u>0</u>	<u>516</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	53		53				53		53							
Special Ed - Middle	25		25				25		25			1	1	1		
Special Ed - High School																
Subtotal	<u>78</u>	<u>0</u>	<u>78</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>78</u>	<u>0</u>	<u>78</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>594</u>	<u>0</u>	<u>594</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>594</u>	<u>0</u>	<u>594</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Percentage Error					0.0%	0%										0%

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2013

LOW INCOME STUDENTS

	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
Half Day Preschool						
Full Day Kindergarten	4	4		4	4	
One	7	7		7	7	
Two	6	6		6	6	
Three	6	6		6	6	
Four	3	3		3	3	
Five	4	4		4	4	
Six	6	6		6	6	
Seven	5	5		5	5	
Eight	3	3		3	3	
Special Ed. - Elementary School	6	6		6	6	
Special Ed. - Middle School	4	4		4	4	
total	<u>54</u>	<u>54</u>	<u>0</u>	<u>54</u>	<u>54</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

LEP STUDENTS

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A. as LEP	Reported on Workpapers as LEP	Errors	Sample Selected From Workpapers	Verified to Test Score & Register	Sample Errors
Four	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2013

LEP STUDENTS

	Resident LEP - Low Income			Sample for Verification		
	Reported on A.S.S.A. as LEP	Reported on Workpapers as LEP	Errors	Sample Selected From Workpapers	Verified to Test Score & Register	Sample Errors
Six	1	1		1	1	
Total	1	1	0	1	1	0
Percentage Error			0%			0%

TRANSPORTATION

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	181	181		181	181	
Transported - Non-Public	44	44		44	44	
Special Education - Regular	25	25		25	25	
Special Needs - Public & Private	2	2		2	2	
Totals	252	252	0	252	252	0
Percentage Error			0%			0%

	Reported	Recalculated
Avg. Mileage - Regular Including Grade PK Students	4.0	4.0
Avg. Mileage - Regular Excluding Grade PK Students	4.0	4.0
Avg. Mileage - Special Ed. With Special Needs	10.2	10.2