

IRVINGTON TOWNSHIP SCHOOL DISTRICT

COUNTY OF ESSEX

NEW JERSEY

AUDITORS' MANAGEMENT REPORT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

FISCAL YEAR ENDED

JUNE 30, 2012

PREPARED BY

***SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS***

**IRVINGTON TOWNSHIP SCHOOL DISTRICT
COUNTY OF ESSEX
NEW JERSEY**

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

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Tax ID #22-6000691

SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-4543
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Township of Irvington School District
County of Essex, New Jersey 07111

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 general purpose financial statements of the Board of Education of the Township of Irvington School District in the County of Essex for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 30, 2012.

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 solely for the information of the Township of Irvington School District 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.



WALTER RYGLICKI
Licensed Public School Accountant #845



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
November 30, 2012

IRVINGTON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, the records of the Student Activity Fund, Food Service Fund and Special Revenue Fund under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

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>
Reginald Lamptey	Assistant Superintendent for Business	\$191,000.00
Roger Monel	Associate School Business Administrator	191,000.00
Hirut Resson	Treasurer of School Moneys	100,000.00

There is a Public Employees' Faithful Performance Blanket Bond with Hartford Fire Insurance Company covering all other employees with multiple coverage of \$275,000.00.

Tuition Charges

The District does not receive students from any sending districts, therefore, this section is not applicable.

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.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and maintains an Unemployment Compensation Insurance Trust Fund.

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 of Schools and certified by the President of the Board of Education and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

The propriety of deductions from employee salaries for pensions, Social Security, withholding tax and other purposes from employee payrolls were not verified as part of this audit. Remittances of deductions and withholdings to authorized agencies, however, were ascertained.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th 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*. There was minor transaction errors noted as a result of the procedures performed.

Board Secretary's/School Business Administrator's Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in satisfactory condition. The prescribed contractual order system was followed.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

Treasurer's Records

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

Elementary and Secondary Education Act (ESEA)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind (NCLB) Act of 2001

The ESEA/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 through III of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for ESEA did not indicate any 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, except for those mentioned under the Board Secretary's/Business Administrator's Section of the report.

Our audit of 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.

Treasurer's Records (Continued)

Other Special Federal and/or State Projects (Continued)

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 (electronic, but Districts can print out the DOENET screen for an auditor) filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$26,000.00 and \$17,200.00, respectively.

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.

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

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

Business-Type Activities

Enterprise Fund:

Food Service Fund:

The School District has contracted with Sodexo Inc. to administer the Food Service Program for the District.

The statistical records of the School Food Service were maintained in satisfactory condition. The meal count records and eligibility applications were reviewed on a test basis.

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 system is administered uniformly throughout the School System. The required verification procedures for free and reduced price applications were completed and available for audit.

However, it was noted that there was one instance for the month of June 2012 that resulted in a Federal Lunch Program under-claim of \$2,258.39, a Federal Breakfast Program over-claim of \$791.13 and a State Lunch Program under-claim of \$66.60. The above was due to a clerical error in recording of items actually served in the School District. No recommendation is required since the School District will be amending its Application for June 2012 with the State of New Jersey.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were examined and costs verified. Inventory records on food supply items were 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 Service 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 nonprofit status of the School Food Service. Net cash resources did not exceed three months average expenditures.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Business Type Activities, Enterprise Funds, Section E.

Student Body Activities and Athletic Funds

Our review of the Student Body Activities of the District's individual schools indicated that the individual schools complied with the District's School Policies.

Application for State School Aid

Condition:

Our audit procedures included a test of information reported in the October 14, 2011 Application for State School Aid (ASSA) for On-Roll, Private Schools for the Handicapped and Low-Income. We also performed a review of the District procedures related to its completion. The information on the ASSA was compared to the District workpapers with exception. The information that was included on the workpapers was verified with exceptions noted below. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our sample verification revealed that eight (8) students On-Roll were over-reported for charter schools, and seventy-one (71) students for Resident Low Income were understated on the ASSA Report

In addition, our examination of Bilingual Education revealed that we were unable to verify either test scores or enrollment for fourteen (14) students.

Recommendation:

That the District properly report on the ASSA the On-Roll, Resident Low Income and Bilingual Education Students for each category.

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 2011-2012 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with some discrepancies. The information that was included in our test was verified with minor exceptions, therefore no recommendation is required. The results of our procedures are presented in the Schedule of Audited Enrollment.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and awards of contracts.

RECOMMENDATIONS

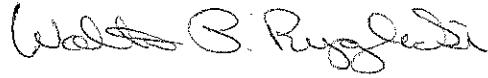
In accordance with government auditing standards, our procedures included an examination of all prior year recommendations. A corrective action plan was adopted on all prior year recommendations.

Application for State School Aid

That the District properly report on the ASSA On-Roll, Resident Low Income and Bilingual Education Students for each category.

ACKNOWLEDGMENT

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



WALTER P. RYGLICKI
Licensed Public School Accountant #845



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
November 30, 2012

IRVINGTON TOWNSHIP SCHOOL DISTRICT
 ENTERPRISE FUND - FOOD SERVICE FUND
 SCHEDULE OF MEAL COUNT ACTIVITY - FEDERAL
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under-claim</u>
<u>July 1, 2011 - June 30, 2012</u>						
School Lunch Program	Free	646,725	646,079	646	\$ 2.790	\$ 1,802.34
(Severe Need)	Reduced	63,005	62,886	119	2.390	284.41
	Paid	194,643	194,030	613	0.280	171.64
Total		904,373	902,995	1,378		\$ 2,258.39
Breakfast Program	Free	203,268	203,718	(450)	\$ 1.80	\$ (810.00)
(Severe Need)	Reduced	19,531	19,515	16	1.50	24.00
	Paid	57,846	57,865	(19)	0.27	(5.13)
Total		280,645	281,098	(453)		\$ (791.13)
After School Snacks Program	Free	25,572	25,572	-	\$ 0.76	\$ -

IRVINGTON TOWNSHIP SCHOOL DISTRICT
 ENTERPRISE FUND - FOOD SERVICE FUND
 SCHEDULE OF MEAL COUNT ACTIVITY - STATE
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under-claim</u>
<u>July 1, 2011 - June 30, 2012</u>						
School Lunch Program	Free	646,725	646,079	646	\$ 0.055	\$ 35.53
(Severe Need)	Reduced	63,005	62,886	119	0.055	6.55
	Paid	<u>194,643</u>	<u>194,030</u>	<u>613</u>	0.040	<u>24.52</u>
Total		<u>904,373</u>	<u>902,995</u>	<u>1,378</u>		<u>\$ 66.60</u>

IRVINGTON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2011

	2012-2013 Application for State School Aid										Sample for Verification			Errors per Registers			Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Workpapers		Errors		Sample Selected from Workpapers		Verified per Registers		Full		On Roll		Private Schools		Sample for Verification		Sample Verified			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Half Day Preschool	520							23		23												
Full Day Preschool	693							31		31												
Half Day Kindergarten	624							29		29												
Full Day Kindergarten	590							25		25												
One	556							23		23												
Two	499							18		18												
Three	470							18		18												
Four	484							22		22												
Five	434							19		19												
Six	423							17		17												
Seven	477							20		20												
Eight	327							15		15												
Nine	260							9		9												
Ten	267							10		10												
Eleven																						
Twelve																						
Post-Graduate																						
Adult H.S. (15+CR.)																						
Adult H.S. (1-14 CR.)																						
Sub-Total	6,624	0	6,624	0	0	0	284	0	276	0	0	8	0	0	0	0	0	0	0	0	0	
Special Ed - Elementary	217						13		13													
Special Ed - Middle School	182						7		7													
Special Ed - High School	172						5		5													
Sub-Total	571	3	571	3	0	0	25	3	25	3	0	0	0	0	0	0	0	0	0	0	0	
Co. Voc. - Regular																						
Co. Voc. Ft. Post Sec.																						
Totals	7,195	3	7,195	3	0	0	309	3	301	3	8	0	0	0	0	0	0	0	0	0	0	
Percentage Error					0.00%						2.59%											0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**IRVINGTON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2011**

	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	290	286	4	18	17	1						
Full Day Preschool												
Half Day Kindergarten	428	428	-	30	30	-	57	57		19	17	2
Full Day Kindergarten	448	448	-	31	31	-	36	36		14	14	-
One	426	426	-	30	30	-	42	42		13	12	1
Two	397	391	6	29	28	1	43	43		12	9	3
Three	353	345	8	23	23	-	25	25		9	7	2
Four	334	324	10	22	22	-	18	18		8	7	1
Five	320	320	-	22	21	1	13	13		4	4	-
Six	265	265	-	19	19	-	15	15		5	5	-
Seven	247	247	-	18	14	4	15	15		5	5	-
Eight	182	201	(19)	9	13	4	30	30		12	8	4
Nine	126	139	(13)	9	9	-	18	18		7	6	1
Ten	107	119	(12)	9	9	-	16	16		6	6	-
Eleven	97	103	(6)	8	8	-	10	10		4	4	-
Twelve												
Post-Graduate												
Adult H.S. (15+CR)												
Adult H.S. (1-14 CR)												
Sub-Total	4,020	4,042	(22)	281	274	7	338	338	0	118	104	14
Special Ed - Elementary	74	121	(47)	11	11	-	3	3		3	3	-
Special Ed - Middle	110	110	-	6	6	-						
Special Ed - High	75	75	(2)	5	5	-						
Sub-Total	257	306	(49)	22	22	0	3	3	0	3	3	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.	4,277	4,348	(71)	303	296	7	341	341	0	121	107	14
Totals												
Percentage Error			-1.66%			2.31%			0.00%			11.57%

	Transportation		
	Reported on DRTS by DOE/County	Reported on DKTRS by District	Errors
Reg - Public Schools, col. 1	146	146	-
Reg - Special Ed, col. 4	241	241	-
Transported - Non-Public, col. 3			
Special Ed Spec, col. 6	353	353	-
Totals	740	740	0
Percentage Error			0.43%

3 Avg. (Mileage) = Regular Including Grade PK students (Par
; Avg. (Mileage) = Regular Excluding Grade PK students (Par
Spec Avg. = Special Ed with Special Needs

Reported Recalculated
Reported Recalculated

IRVINGTON BOARD OF EDUCATION

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 14, 2011

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	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool		1	1	1	
Full Day Preschool					
Half Day Kindergarten		38	12	12	
Full Day Kindergarten		27	8	8	
One	38	27	7	7	
Two	15	15	5	5	
Three	16	16	7	7	
Four	17	17	7	7	
Five	13	13	3	3	
Six	10	10	4	4	
Seven	9	9	7	7	
Eight	21	21	23	23	
Nine	72	72	11	11	
Ten	34	34	6	6	
Eleven	14	14	8	8	
Twelve	21	21			
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Sub-Total	<u>307</u>	<u>308</u>	<u>109</u>	<u>109</u>	<u>0</u>
Special Ed - Elementary	2	2	2	2	
Special Ed - Middle					
Special Ed - High					
Sub-Total	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>0</u>
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	<u>309</u>	<u>310</u>	<u>111</u>	<u>111</u>	<u>0</u>
Percentage Error					<u>0.00%</u>

EXCESS SURPLUS CALCULATION

2% Calculation of Excess Surplus

2011-12 Total General Fund Expenditures per the CAFR	\$ 144,221,715.33	
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	2,466,995.85	
Capital Leases	-	
Adjusted 11-12 General Fund and Other State Expenditures		\$ 141,754,719.48
Decreased by:		
On-Behalf TPAF Pension and Social Security		<u>9,449,013.70</u>
2011-12 General Fund Expenditures		132,305,705.78
2% of Adjusted 2011-12 General Fund Expenditures Times .02		2,646,114.12
Increased by Allowable Adjustment		<u>145,571.00</u>
Maximum Unassigned Fund Balance		<u>\$ 2,791,685.12</u>
Total General Fund - Fund Balance at June 30, 2012	\$ 12,048,030.06	
Decreased by:		
Reserved for Encumbrances	631,257.46	
Legally Restricted - Designated for Subsequent Year's Expenditures	6,250,000.00	
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	-	
Total Unassigned Fund Balance		<u>\$ 5,166,772.60</u>
Reserved Fund Balance - Excess Surplus		<u>\$ 2,375,087.48</u>
<u>Recapitulation of Excess Surplus as of June 30, 2012</u>		
Reserved Excess Surplus		<u>\$ 2,375,087.48</u>
Total		<u>\$ 2,375,087.48</u>
<u>Allowable Adjustments</u>		
Extraordinary Aid		<u>\$ 145,571.00</u>
		<u>\$ 145,571.00</u>

IRVINGTON TOWNSHIP SCHOOL DISTRICT
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Encumbrances per the June 30, 2012 Board Secretary's Report \$928,965.90

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled Through Audit Adjustments</u>
Audit Fees	\$ 60,150.00	\$ 60,150.00	\$
Legal Fees	62,125.00	62,125.00	
Other Purchased Services	30,748.82	30,748.82	
Other Purchased Professional Services	55,063.68	55,063.68	
Cleaning, Repairs, and Maintenance	12,783.99	12,783.99	
General Supplies	18,034.33	18,034.33	
Communications/Telephone	870.00	870.00	
Tuition	74,533.00	74,533.00	
Unemployment Compensation	297,708.44		297,708.44
Equipment	8,000.00	8,000.00	
Social Security Contribution	308,948.64	308,948.64	
	<u>928,965.90</u>	<u>631,257.46</u>	<u>297,708.44</u>
 Total Encumbrances Cancelled During the Audit			 <u>297,708.44</u>
 Fund Balance Reserve for Encumbrances in the CAFR			 <u>\$631,257.46</u>

