

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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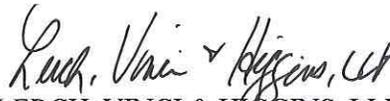
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Honorable President and
Members of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

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 Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 9, 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 solely for the information and use of management, the Board of Directors, others within the Commission 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 J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 9, 2015

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
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 and School Business Administrator, the activities of the Commission and the records of the various funds under the auspices of the Commission.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Jacqueline A. Young	Superintendent/Board Secretary	\$400,000
Wei-Jiun Kao	School Business Administrator	400,000

There is a blanket dishonesty bond with School Alliance Insurance Group covering all other employees with multiple coverage of \$500,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any material discrepancies with respect to certification or supporting documentation.

Finding – In certain instances a receipt of goods signature was not obtained on purchase orders.

Recommendation – Purchase orders be pre-audited to ensure that a receipt of goods signature has been obtained prior to payment to the vendor

Payroll Account

The net salaries of all employees of the Commission 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/Board Secretary and were certified by the President of the Commission and the School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefit withholdings due to the General Fund. The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respective to the reporting of compensation for certain employees.

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.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
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: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. 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.

Finding – Administrative salaries and other departmental costs are allocated to several programs by the Commission. The Commission does not have a current written cost allocation plan to allocate these costs.

Recommendation – The Commission develop a written cost allocation plan to assist management with the allocation of central and general administrative costs. Furthermore, these costs should be recorded in the budgetary accounting system on a monthly basis.

Business Administrator's Records

The financial records, books of account and minutes maintained by the School Business Administrator were in very good condition.

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Acknowledgment of the Commission's receipt of the monthly financial report was included in the minutes.

Finding – The year end budget line item transfers, additional appropriations of revenue, and the June 30, 2015 were not approved by the Board of Directors within thirty days of month end.

Recommendation – Budget appropriation transfers, additional appropriations of revenue and all monthly reports be approved within thirty days of the fiscal year end.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit 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.

Finding – The Commission made adjustments to salary amounts charged to its federal grants but did not record the adjustments in the subsidiary accounting records.

Recommendation – Grant financial reports be reconciled to the Commission's budgetary accounting records.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Purchasing Programs

T.P.A.F. Reimbursements

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.

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

The amount of expenditures charged to the current year for federal awards 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.

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 \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300. The Commission has appointed the Business Administrator as the Qualified Purchasing Agent.

The Commission 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 Commission Attorney'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 results of our examination indicated no instances where 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 provision of N.J.S.A. 18A:18A-4.

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

The system of records did not provide for an accumulation of purchases for which the Commission 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. Our examination did reveal, however, that purchases were made through the use of State contracts.

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 were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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 system.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Food Service (Continued)

Finding – The Commission inadvertently under reported 51 breakfasts and 49 lunches served in December 2014 and May 2015. This resulted in an underclaim of \$225.

Recommendation – Reimbursement vouchers be reconciled with breakfast/lunch tally sheets prior to submission to ensure all free and reduced breakfast/lunches have been claimed for reimbursement.

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.

Finding – Net cash resources exceeded three month average expenses

Recommendation – The Commission review the operations of its Food Service Enterprise Fund to ensure that the Fund's net cash resources do not exceed three months average expenses.

Exhibits reflecting Child Nutrition Program operations are included in the Commission's CAFR Exhibits B-4, B-5 and B-6.

Student Body Activities

The Board has a policy, which has established regulations of student activity funds.

Pupil Transportation

Our procedures included a review of transportation related contracts and purchases. Based on our review, the Commission complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Follow-up Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE IS NOT APPLICABLE

**SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SCHEDULE IS NOT APPLICABLE

**ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Purchase orders be pre-audited to ensure that a receipt of goods signature has been obtained prior to payment to the vendor.
- * 2. The Commission develop a written cost allocation plan to assist management with the allocation of central and general administrative costs. Furthermore, these costs should be recorded in the budgetary accounting system on a monthly basis.
- * 3. Budget appropriation transfers, additional appropriations of revenue, and all monthly reports be approved within thirty days of the fiscal year end.
4. Grant financial reports be reconciled to the Commission's budgetary accounting records.

III. School Purchasing Program

There are none.

IV. Food Service Fund

It is recommended that

1. Reimbursement vouchers be reconciled with breakfast/lunch tally sheets prior to submission to ensure all free/reduced breakfast/lunches have been claimed for reimbursement.
2. The Commission review the operations of its Food Service Enterprise Fund to ensure that the Fund's net cash resources do not exceed three month average expenses.

V. Student Body Activities

There are none.

VI. Pupil Transportation

There are none.

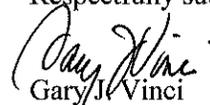
VII. Status of Prior Years' Audit Findings/Recommendations

A review was performed on the prior year's recommendation and corrective action was taken on all

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the Commission and we greatly appreciate the courtesies extended to the members of our audit team.

Respectfully submitted,



Gary J. Vinci
Public School Accountant
PSA Number CS00829