

MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS—FINANCIAL, COMPLIANCE AND  
PERFORMANCE

Middlesex Regional Educational  
Services Commission  
Piscataway, New Jersey  
June 30, 2015

Ernst & Young LLP



Building a better  
working world

# Middlesex Regional Educational Services Commission

## Management Report on Administrative Findings— Financial, Compliance and Performance

### Contents

Report of Independent Auditors.....	1
Scope of Audit .....	2
Administrative Practices and Procedures	
Insurance .....	2
Official Bonds .....	2
Tuition Charges.....	2
Financial Planning, Accounting and Reporting	
Examination of Claims.....	2
Payroll Account.....	2
Reserve for Encumbrances and Accounts Payable .....	3
Classification of Expenditures .....	3
Business Administrator’s/Board Secretary’s Records .....	3
Treasurer’s Records .....	3
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 .....	3
Other Special Federal and/or State Projects.....	4
TPAF Reimbursement.....	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids.....	4
School Food Service .....	5
Student Body Activities .....	5
Application for State School Aid.....	5
Pupil Transportation.....	5
Facilities and Capital Assets .....	6
Suggestions to Management .....	6
Follow-up on Prior Year’s Findings .....	6
Acknowledgment .....	6



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## Report of Independent Auditors

Members of the Board of Directors  
Middlesex Regional Educational Services Commission  
County of Middlesex, 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 basic financial statements of the Middlesex Regional Educational Services Commission in the County of Middlesex for the year ended June 30, 2015, and have issued our report thereon dated December 11, 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 Middlesex Regional Educational Services Commission's management and Board and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Louis Roberts  
Licensed Public School Accountant  
No. 224900

December 11, 2015

## Administrative Findings–Financial Compliance and Performance

### Scope of Audit

The audit covered the financial transactions of the Board Secretary/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

Adequacy of insurance coverage is the responsibility of the Commission. Fire insurance and other insurance coverages were carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Commission’s CAFR.

#### Official Bonds (N.J.S.A. 18A: 17-26, 18A: 17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Patrick M. Moran	Board Secretary/School Business Administrator	\$ 250,000

There is a Public Employees’ Faithful Performance Blanket Position Bond with the New Jersey School Boards Association covering all other employees with multiple coverage of \$250,000.

#### Tuition Charges

Tuition charges made by the Commission are based upon actual costs incurred by the Commission to effectively maintain the various programs servicing the member districts. The Commission is not subject to the regulations contained in 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 Commission 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 Commission and the Business Administrator.

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

#### Reserve for Encumbrances and Accounts Payable

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

No exceptions were noted.

#### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(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 administration coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A: 23-8.2*. 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.

#### Business Administrator's/Board Secretary's Records

Our review of the financial and accounting records maintained by the Business Administrator/Board Secretary did not disclose any exceptions.

#### Treasurer's Records

No exceptions were noted during our review of the records of the Treasurer.

#### 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 the projects under Titles I and VI of the Elementary and Secondary Education Act 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 Commission's special projects were approved as listed on Schedule K-3 and Schedule 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.

The study of compliance for the special projects did not identify any area of noncompliance.

### TPAF Reimbursement

Our audit procedures included obtaining a listing of TPAF members, and randomly selecting 25 employees to ensure that they were properly included in the biweekly reimbursement forms filed with the Department of Education. We also ensured that the reimbursement only included regular pay, and no overtime, or bonus pay. We have obtained and reviewed a copy of the *Reimbursement to State of New Jersey N.J.S.A. 18A:66-90 form*. No exceptions were noted.

### **School Purchasing Programs**

#### 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 \$26,200 (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 \$17,200.

The Commission 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 where there had been no advertising for 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*.

## **School Food Service**

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposits.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

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 Commission. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy on a test-check basis with no exceptions noted. 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 and free milk policy is uniformly administered throughout the Commission. The required verification procedures for free and reduced price applications were completed and available for review without exception.

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

## **Student Body Activities**

During our review of the student activity funds, no exceptions were noted.

## **Application for State School Aid**

The procedures for the Application for State School Aid are not applicable for the Commission per our discussions with the State Department of Education.

## **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.

**Facilities and Capital Assets**

This section is not applicable to the Commission.

**Suggestions to Management**

There were no management recommendations for fiscal year 2015.

**Follow-up on Prior Year's Findings**

Not Applicable

**Acknowledgment**

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

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