

Auditor's Management Report

for the

*Union County Educational
Services Commission*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2015*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS FINANCIAL AND COMPLIANCE**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Union County Educational Services Commission
County of Union, New Jersey

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Union County Educational Services Commission in the County of Union for the year ended June 30, 2015, and have issued our report dated December 2, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Union County Educational Services Commission in the County of Union, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

December 2, 2015

Independent Auditor's Management Report of Administrative Findings – Financial and Compliance

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the Union County Educational Services Commission, and the records of the various funds under the auspices of the Union County Educational Services Commission.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed in the Commission's CAFR. (See Exhibit J-20)

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Dr. Robert Behot	Business Administrator/Board Secretary	\$320,000.00
All Employees	Employee Dishonesty	400,000.00

Adequacy of insurance coverage is the responsibility of the Union County Educational Services Commission.

Tuition and Local Educational Agency Charges

The Commission bills for tuition and local educational agency charges on an ongoing basis based on attendance at contractual rates agreed to by the various local educational agencies. The computer system provides an accounts receivable schedule of uncollected balances.

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certifications or supporting documentation.

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

Payroll Accounts

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

Salary withholdings were properly remitted to the proper agencies.

2015-01 Finding: We noted that the net payroll account reconciled to a deficit balance and the payroll agency analysis also contained a deficit balance.

2015-01 Recommendation: That all deficit balances in the payroll accounts be investigated and cleared of record.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015 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(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. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator's Records

The records maintained by the Business Administrator were maintained in satisfactory condition.

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

Other Special Federal and/or State Projects

The Commission contracts with other school Commissions and bills those Commissions administrating the following programs:

- Basic Skills
- Bloodborne Pathogens
- Child Study Team
- E.D. Program
- Non-Public Textbooks
- Non-Public Technology Initiative
- Non-Public Nursing Services
- Non-Public Chapter 192/193
- IASA Title I Neglected, At Risk Children
- ESEA Title I P.L. 103-382
- Day Treatment Program (DYFS)
- Substance Abuse Education Program (Union County)
- U.C. Juvenile Detention Center Education Program
- IDEA Part B Basic Flow Through

The Commission'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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement filed with the Department of Education for Commission employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts was used. No exceptions were noted.

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

"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 therefor, 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 for by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. 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. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A. 18A:18A-4 states, "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 therefor, except as is provided otherwise in this chapter or specifically by any other law.

The Board of Education may, by resolution, approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

N.J.S.A. 18A:18A-3 States (Continued):

Effective July 1, 2010, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$26,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$36,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$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.

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 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.

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 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. Our audit did reveal however, that the District did make purchases under State contracts and cooperative purchasing agreements.

**Independent Auditor's Management Report of Administrative
Findings- Financial and Compliance**

School Food Service

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. 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 vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested.

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 priced 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. No exceptions were noted.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The Board is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Cash receipts and bank records were reviewed for timely deposit. 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.

Cash receipts and bank records were reviewed for timely deposit.

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

Exhibits reflecting Child Nutrition Program operations are included in Section B of the CAFR.

Independent Auditor's Management Report of Administrative Findings – Financial and Compliance

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

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, and low-income. We also performed a review of the Commission procedures related to its completion. The information on the A.S.S.A. was compared to the Commission workpapers with minor exceptions. The information that was included on the workpapers was verified without exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The Commission maintained workpapers on the prescribed state forms or their equivalent.

The Commission had written procedures for the recording of student enrollment

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. 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.

Follow-Up Prior Year's Audit Findings

In accordance with government auditing standards, our procedures included a review of the status of prior year audit recommendations. Corrective action had been taken on all prior year findings

**Independent Auditor's Management Report of Administrative
Findings – Financial and Compliance**

Recommendation

That all deficit balances in the payroll accounts be investigated and cleared of record.

UNION COUNTY EDUCATIONAL SERVICES COMMISSION

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

10

	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 Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- fication	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool					-	-											-
Full Day Preschool					-	-											-
Half Day Kindergarten					-	-											-
Full Day Kindergarten					-	-											-
One					-	-											-
Two					-	-											-
Three					-	-											-
Four					-	-											-
Five					-	-											-
Six					-	-											-
Seven					-	-											-
Eight					-	-											-
Nine	32		33	0	(1)	-	12		12		-	-					-
Ten	40		40	0	-	-	21		21		-	-					-
Eleven	53		53	0	-	-	36		36		-	-					-
Twelve	30		31	0	(1)	-	14		14		-	-					-
Post-Graduate					-	-											-
Adult H.S. (15+CR.)					-	-											-
Adult H.S. (1-14 CR.)					-	-											-
Subtotal	155	0	157	0	(2)	0	83	0	83	0	0	0	0	0	0	0	0
Special Ed - Elementary	30		31	0	(1)	-	10		10	0	-	-					0
Special Ed - Middle School	43		44	0	(1)	-	19		19	0	-	-					0
Special Ed - High School	117	2	115	2	2	-	54	2	54	2	-	-					0
Subtotal	190	2	190	2	0	0	83	2	83	2	0	0	0	0	0	0	0
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	345	2	347	2	(2)	0	166	2	166	2	0	0	0	0	0	0	0
Percentage Error					-0.58%	0					0.00%			(b)			0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**UNION COUNTY EDUCATIONAL SERVICES COMMISSION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	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			-			-			-			-
Full Day Preschool			-			-			-			-
Half Day Kindergarten			-			-			-			-
Full Day Kindergarten			-			-			-			-
One			-			-			-			-
Two			-			-			-			-
Three			-			-			-			-
Four			-			-			-			-
Five			-			-			-			-
Six			-			-			-			-
Seven			-			-			-			-
Eight			-			-			-			-
Nine	31	33	(2)	24	24	-			-			-
Ten	38	37	1	15	15	-			-			-
Eleven	52	53	(1)	30	30	-			-			-
Twelve	25	27	(2)	16	16	-			-			-
Post-Graduate			-			-			-			-
Adult H.S. (15+CR.)			-			-			-			-
Adult H.S. (1-14 CR.)			-			-			-			-
Subtotal	146	150	(4)	85	85	0	0	0	0	0	0	0
Special Ed - Elementary	11	11	-	9	9	-			-			-
Special Ed - Middle	15	13	2	13	13	-			-			-
Special Ed - High	76.5	70.5	6.0	34	34	-			-			-
Subtotal	102.5	95	8	56	56	0	0	0	0			0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	248.5	245	4	141	141	0	0	0	0	0	0	0
Percentage Error			1.61%	(c)		0.00%						

