

MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS—FINANCIAL, COMPLIANCE AND
PERFORMANCE

Educational Services Commission of New Jersey
Piscataway, New Jersey
June 30, 2016

Ernst & Young LLP



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Educational Services Commission of New Jersey

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 and Position Control Roster	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Business Administrator’s/Board Secretary’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.....	3
TPAF Reimbursement.....	4
TPAF Reimbursement to the State for Federal Salary Expenditures.....	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids.....	4
School Food Service	4
Student Body Activities	5
Application for State School Aid.....	5
Pupil Transportation.....	5
Facilities and Capital Assets	5
Miscellaneous	5
Follow-up on Prior Year’s Findings	5
Acknowledgment	5



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Report of Independent Auditors

Members of the Board of Directors
Educational Services Commission of New Jersey
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 Educational Services Commission of New Jersey the “Commission”) in the County of Middlesex for the year ended June 30, 2016, and have issued our report thereon dated November 14, 2016.

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 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 M. Roberts
Licensed Public School Accountant
No. 224900

November 14, 2016

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	\$ 350,000

There is a Public Employees’ Faithful Performance Blanket Position Bond with the New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$350,000.

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:23A-17.1(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:23A-16.2(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: 23A-8.3*. 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.

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for Commission 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 the expenditure charged to the current year's Final Report(s) for all federal awards for the Commission to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Commission for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$18,800 for 2015-2016.

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.

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 school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as

to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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. 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.

Facilities and Capital Assets

This section is not applicable to the Commission.

Miscellaneous

There were no management recommendations for fiscal year 2016.

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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