

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
PASSAIC COUNTY EDUCATIONAL
SERVICES COMMISSION
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2016**

SCHOOL DISTRICT OF PASSAIC COUNTY EDUCATIONAL SERVICES COMMISSION
COUNTY OF PASSAIC, NEW JERSEY

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

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Directors
Passaic County Educational Services Commission
County of Passaic, 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 Passaic County Educational Services Commission in the County of Passaic for the year ended June 30, 2016, and have issued our report thereon dated November 17, 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 Passaic County Educational Services Commission's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

James Cerullo

James Cerullo, C.P.A.
Public School Accountant
No. 881

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November 17, 2016

**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire 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>
Rita Pascrell	Treasurer	\$205,000.00
Richard Giglio	Business Administrator	205,000.00

Financial Planning, Accounting and Reporting

Examination of Claims

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

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

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

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

Financial Planning, Accounting and Reporting, (continued)

Payroll Account, (continued)

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Finding 2016-001: In some instances, employee timesheets and/or summary of hours worked were not being approved by a department head.

Recommendation: That procedures be implemented to ensure that all employee timesheets and/or summary of hours worked be approved by a department head.

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, 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.

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. As a result of the procedures performed, a transaction error rate of .00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The Board Secretary's records were in satisfactory condition.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Treasurer's Records

Treasurer's records were examined and found to be in good condition.

Financial Planning, Accounting and Reporting, (continued)

T.P.A.F. Reimbursement

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term ‘competitive contracting’, which is defined as “the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received.” Also, subsection (aa) defines the term ‘concession’ to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a “Qualified Purchasing Agent” (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. “In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted.”

Effective July 1, 2015 and thereafter, 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.

The board of education 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.

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 provision of N.J.S.A. 18A:18A-4, amended.

School Purchasing Programs, (continued)

Contracts and Agreements Requiring Advertisement for Bids, (continued)

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

Findings 2016-002: There were two vendors paid in excess of \$17,500.00 that did not have Political Contribution Disclosure forms on file.

Recommendation: That procedures be implemented to ensure that vendors paid in excess of \$17,500.00 file Political Contribution Disclosure forms with the District.

Pupil Transportation

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

Finding 2016-03: There were several billing errors for transportation services provided to several school districts either resulting in overcharges or undercharges.

Recommendation: That procedures be implemented to ensure that correct amounts are billed for transportation services provided.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings, except for items marked with an "*".

Acknowledgment

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

Respectfully submitted,

James Cerullo

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