

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

**SUSSEX COUNTY EDUCATIONAL  
SERVICES COMMISSION  
COUNTY OF SUSSEX, NEW JERSEY  
JUNE 30, 2017**

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**  
**COUNTY OF SUSSEX, 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  
Sussex County Educational Services Commission  
County of Sussex, 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 Commission of the Sussex County Educational Services Commission in the County of Sussex for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017.

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 Sussex 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.



Thomas M. Ferry  
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Newton, New Jersey

November 30, 2017

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**

**ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017**

**Scope of Audit**

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

**Administrative Practices and Procedures**

**Insurance**

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's Comprehensive Annual Financial Report ("CAFR").

**Officials Bonds (N.J.S.A. 18A:17-26,18A:17-32)**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Eileen Kithcart	Treasurer of School Moneys	\$175,000.00
Erin Siipola	Business Administrator	150,000.00

**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 each of signatures, certification or supporting documentation.

**Payroll Account and Position Control Roster**

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 certified by the President of the Board and the School Business Administrator.

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

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

### ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE YEAR ENDED JUNE 30, 2017

#### Financial Planning, Accounting and Reporting (continued)

##### Payroll Account (continued)

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

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.

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<sup>th</sup> 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 reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for priority to determine that goods were received and services 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. 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-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.

##### Commission Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary were examined and found to be in good condition

##### Treasurer's Records

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

SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017

**Financial Planning, Accounting and Reporting** (continued))

Elementary and Secondary Education Act (E.S.E.A.)/ Improving America's School Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001 (N.C.L.B.)

Not applicable

T.P.A.F. Reimbursement

Our audit procedures included a test of 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.

Fixed Assets

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

Other Special Federal and/or State Projects

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 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 indicated that there were no areas of noncompliance.

## SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

### ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE YEAR ENDED JUNE 30, 2017

#### 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 Agency) 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 district 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.

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

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**

**ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017**

**School Purchasing Programs** (continued)

**School Food Service**

Not applicable

**Student Body Activities**

During our review of the Student Body Activity funds, no exceptions were noted.

**Application for State School Aid**

Not applicable

**Pupil Transportation**

Not applicable



SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017

**Follow-up on Prior Years' Findings**

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

**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.

Respectfully submitted,



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**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**RECOMMENDATIONS:**

**1. Administrative Practices and Procedures**

None

**2. Financial Planning, Accounting and Reporting**

None

**3. School Purchasing Programs**

None

**4. School Food Service**

None

**5. Student Activity Fund**

None

**6. Application for State School Aid**

None

**7. Pupil Transportation**

None

**8. Facilities and Capital Assets**

None

**SUSSEX COUNTY EDUCATIONAL SERVICES COMMISSION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)**

**9. Miscellaneous**

None

**10. Follow-up on Prior Year Findings**

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.