

**MORRIS-UNION JOINTURE COMMISSION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

**MORRIS-UNION JOINTURE COMMISSION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and
Members of the Board of Education
Morris-Union Jointure Commission
New Providence, 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 Morris-Union Jointure Commission as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 22, 2019.

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

This report is intended solely for the information and use of management, the Board of Education, others within the Commission and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 22, 2019

**MORRIS-UNION JOINTURE COMMISSION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the Commission's CAER.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Davison	School Business Administrator/Board Secretary	\$ 275,000
Kerry Keane	Treasurer of School Monies	275,000

All employees are covered by an employee dishonesty policy in the amount of \$400,000.

Tuition Charges

The provisions of NJAC 6A:23-3.1(f)3 are not applicable to the Commission.

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 signatures, certification or supporting documentation.

Finding – Our audit revealed two (2) instances where a check was issued and made payable to a vendor that differed from the vendor listed on the purchase order and bills list as reflected in the District's financial accounting and reporting system.

Recommendation – Internal controls over the District's financial accounting and reporting system be reviewed and revised to ensure that the ability to issue checks made payable to a vendor other than the vendor listed on the purchase order and bills list be discontinued.

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 payroll taxes were deposited in the Payroll Agency Account.

All payrolls tested were certified by the Superintendent, the President of the Board and the Board Secretary/School Business Administrator.

**MORRIS-UNION JOINTURE COMMISSION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Salary withholdings were promptly remitted to the proper agencies including health benefit premium contribution amounts withheld and due to the other funds.

The Commission maintains a personnel tracking and accounting (position control) system.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law for the reporting of compensation for certain 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: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. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Acknowledgment of the Board's receipt of the Board Secretary's monthly financial reports was included in the minutes.

The original budget per the budget appropriation report did agree to the appropriations reflected in the adopted budget.

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating account, capital projects, food service and payroll accounts.

All cash receipts were promptly deposited.

The Treasurer's records were in agreement with the records of the Board Secretary.

The Treasurer's cash balances were in agreement with the reconciled cash balances as determined during the audit.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Trust Fund.

**MORRIS-UNION JOINTURE COMMISSION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Other Special Projects

The Commission's Special Projects were approved as listed on Exhibit K-3 located in the CAFR.

Our audit of the Federal 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. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for Commission employees who are members of the Teachers Pension and Annuity Fund. No material 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 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 N.J.S.A. 18A:18A-3(a) (as amended) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent) respectively. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000.

If the purchasing agent is qualified pursuant to subsection b 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 \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Board has designated the School Business Administrator as the qualified purchasing agent.

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 Board Attorney'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 no instances where 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.

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

**MORRIS-UNION JOINTURE COMMISSION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The system of records did not provide for an accumulation of purchases for which the Commission 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 examination did reveal, however, that purchases were made through the use of State contracts. However, the Commission does follow a rigorous policy where all purchases are publicly bid, quoted or bought through the use of state contracts.

School Food Service

The School Food Service Program was not selected as a major State program nor were the state and federal program expenditures in excess of \$100,000 for the year. The District was not subject to a Federal Single Audit.

The financial transactions and records of the school food services were maintained in good condition. The financial accounts and transactions were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

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.

The statement of Revenues, Expenses and Changes in Net Position (CAFR Exhibit B-5) does separate program and non-program revenue and cost of goods sold.

The Commission utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed. The FSMC contract includes an operating results provision which guarantees that the food service program will not lose more than \$85,000. The operating results provision has been met.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

Special Programs Enterprise Fund

The Commission maintains a Special Programs Fund to account for the financial activity of transportation services and other programs provided on a fee-for-service basis to member and non-member school districts.

The financial transactions and records of the special programs were maintained in good condition. The financial accounts and records were reviewed on a test-check basis.

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.

Testing for Lead of all Drinking Water in Educational Facilities

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Follow-up Prior Year Findings

There were none.

**MORRIS-UNION JOINTURE COMMISSION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

**Morris-Union Jointure Commission
Proprietary Funds - Food Service
Net Cash Resources Schedule
For the Year Ending June 30, 2018**

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR *		Current Assets
B-4	\$ 71,418	Cash & Cash Equiv.
B-4	4,845	Due from Other Gov'ts
B-4		Accounts Receivable
B-4		Investments
CAFR		Current Liabilities
B-4	(20,448)	Less Accounts Payable
B-4		Less Accruals
B-4		Less Due to Other Funds
B-4	<u>(3,469)</u>	Less Unearned Revenue
	\$ 52,346	Net Cash Resources
		(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	277,593	Tot. Operating Exp.
B-5	<u>14,914</u>	Less Depreciation
	\$ 262,679	Adj. Tot. Oper. Exp.
		(B)
 <u>Average Monthly Operating Expense:</u>		
	<u>\$ 26,268</u>	B / 10
		(C)
 <u>Three times monthly Average:</u>		
	<u>\$ 78,804</u>	3 X C
		(D)
 TOTAL IN BOX A		
	<u>\$ 52,346</u>	
LESS TOTAL IN BOX D		
	<u>\$ (78,804)</u>	
NET		
	<u><u>\$ (26,458)</u></u>	

Net cash resources do not exceed three months of average monthly expenditures

* Inventories are not to be included in total current assets.

**MORRIS-UNION JOINTURE COMMISSION
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that internal controls over the District's financial accounting and reporting system be reviewed and revised to ensure that the ability to issue checks made payable to a vendor other than the vendor listed on the purchase order and bills list be discontinued.

III. School Purchasing Program

There are none.

IV. Food Service Fund

There are none.

V. Special Programs Enterprise Fund

There are none.

VI. Pupil Transportation

There are none.

VII. Capital Assets

There are none.

VIII. Status of Prior Years' Audit Findings/Recommendations

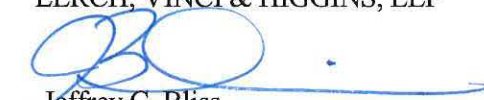
There were none.

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Jeffrey C. Bliss
Public School Accountant

PSA Number CS00932