

Auditor's Management Report

for the

*Somerset County Vocational and
Technical Schools*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2018*

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Accounts	2
Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act (E.S.E.A)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4-6
School Food Service	6-7
Student Body Activities	7
Application for State School Aid	7
Facilities and Capital Assets	7
Follow-Up on Prior Year's Audit Finding	7
Recommendations	8
Schedule of Meal Count Activity	N/A
Net Cash Resources	N/A
Application for State School Aid Summary Enrollment	9-10
Excess Surplus Calculation	11-12

Tax ID Number 22-6016704



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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Somerset County Vocational and Technical Schools
County of Somerset
Bridgewater, New Jersey 08807

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 Somerset County Vocational and Technical Schools in the County of Somerset for the year ended June 30, 2018, and have issued our report dated February 4, 2019.

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 Somerset County Vocational and Technical Schools, County of Somerset, 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. 948

February 4, 2019

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 and Treasurer of School Monies, the activities of the Board of Education of the Somerset County Vocational and Technical Schools, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Michelle Fresco	Treasurer of School Monies	\$200,000.00
Raelene Catterson	Business Administrator/Board Secretary	100,000.00
All Employees	Faithful Position of Duty- Employee Theft	1,000,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

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.

Payroll Accounts

The net salaries of all employees of the Board 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, the Board and the Secretary/Business Administrator.

Salary withholdings were properly remitted to the proper agencies, including health benefits withholdings due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

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

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 proper classification of orders as reserve for encumbrances and accounts payable.

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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer of School Monies.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. 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 Title I thru Title IV of the Elementary and Secondary Education Act.

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

Other Special Federal and/or State Projects

The District'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 bi-weekly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district 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. No exceptions were noted.

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 \$29,000, 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 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 \$40,000.00. Such authorization may be granted on each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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."

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent), \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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, amended.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

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 timely filed, and meals claimed agreed with meal count records.

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 was completed and available for review.

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.

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. 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.

The District 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 and audited. The FSMC contract guarantees a no cost or breakeven operation. This operating provision has been met. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the food service account and reconciled to supporting documentation at least annually.

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

School Food Service (Continued)

Net cash resources did not exceed three months average expenditures.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis.

The Statement of Revenues, Expenses and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

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 14, 2016 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 district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. 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 district maintained workpapers on the prescribed state forms or their equivalent.

The district had written procedures for the recording of student enrollment.

Facilities and Capital Assets

Our procedures included a review of the SDA agreement for consistency with recording SDA revenue, transfer of local funds from the general fund and awarding of contracts for eligible facilities construction.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

Follow-Up Prior Year's Audit Findings

In accordance with Government Auditing Standards, our procedures included a review of the prior year audit recommendations. All prior year audit findings were corrected.

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

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Program

None

School Food Service

None

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Facilities and Capital Assets

None

Prior Year's Findings/Recommendations

None

SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOLS
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	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	Sample Selected from Workpapers	Verified to Application and Register	Sample Selected from Workpapers	Reported on A.S.S.A. as Low Income	Sample Selected from Workpapers	Verified to Application and Register
Special Ed. High School	13.5	13.5	10	10	0	0	0	0
County Vocational- Regular	69.5	69.5	53	53	0	0	0	0
Totals	83	83	63	63	0	0	0	0
Percentage Error		0.00%				#DIV/0!		#DIV/0!

	Resident LEP NOT Low Income		Sample for Verification		Transportation - Not Applicable				
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on DRTS by DOE	Reported on DRTS by District	Tested	Verified	Errors
Special Ed. High School	0	0	0	0	0	0	0	0	0
County Vocational- Regular	0	0	0	0	0	0	0	0	0
Totals	0	0	0	0	0	0	0	0	0
Percentage Error		#DIV/0!							N/A

SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOLS
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	2018-19 Application for State School Aid						Sample for Verification						Private School for Disabled - Not Applicable												
	Reported as 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.A. as Private Schools						
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		
Nine	1			1			0			1			1			0			0			0			0
Ten	5			5			0			4			4			0			0			0			0
Eleven	3			3			0			2			2			0			0			0			0
Twelve	3			3			0			2			2			0			0			0			0
Subtotal	12	0		12	0		0	0		9	0		9	0		0	0		0	0		0	0		0
Special Ed. High School	38	87		38	87		0	0		18	42		18	42		0	0		0	0		0	0		0
Special Ed. Alt. Voc High School	8			8			0	0		4			4			0			0			0			0
Subtotal	46	87		46	87		0	0		22	42		22	42		0	0		0	0		0	0		0
County Vocational - Regular	270	222		270	222		0	0		126	106		126	106		0	0		0	0		0	0		0
County Vocational FT Post Sec.	270	222		270	222		0	0		126	106		126	106		0	0		0	0		0	0		0
Totals	328	309		328	309		0.00%	0.00%		157	148		157	148		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%		0.00%

SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOL

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COUNTY VOCATIONAL DISTRICT

SECTION 1

A. 6% Calculation of Excess Surplus (2017-18 expenditures of \$100 million or less)

2017-2018 Total General Fund Expenditures	\$ <u>16,335,248.97</u>	
Increased by:		
Transfer to Proprietary Fund	_____	
Transfer from Capital Outlay to Capital Projects Fund	_____	
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>1,723,504.95</u>	
Assets acquired under Capital Leases	_____	
Adjusted 2017-2018 General Fund Expenditures		\$ <u>14,611,744.02</u>
6% of Adjusted 2017-2018 General Fund Expenditures		\$ <u>876,704.64</u>
Greater of line above or \$250,000.00		\$ <u>876,704.64</u>
Increased by: Allowable Adjustment		\$ _____
Maximum Unassigned Fund Balance		\$ <u><u>876,704.64</u></u>

SECTION 2

Total General Fund Balances @ 6-30-18	\$ <u>3,830,714.72</u>	
Decreased by:		
Year-end Encumbrances	\$ <u>321,950.47</u>	
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____	
Legally Restricted - Excess Surplus-Designated for Subsequent Year's Expenditures	\$ <u>840,000.00</u>	
Other Restricted Fund Balances		
Maintenance Reserve	\$ <u>499,543.43</u>	
Capital Reserve	\$ <u>632,516.18</u>	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ _____	
Total Unassigned Fund Balance		\$ <u>1,536,704.64</u>

SECTION 3

Restricted Fund Balance-Excess Surplus \$ 660,000.00

Recapitulation of excess surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures \$ 840,000.00

Reserved Excess Surplus \$ 660,000.00

Total \$ 1,500,000.00

Detail of Allowable Adjustments

Extraordinary Aid \$ _____

Additional Non-Public School Transportation Aid _____

\$ 0.00

