



**EDUCATIONAL SERVICES COMMISSION
OF NEW JERSEY**

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

JUNE 30, 2019

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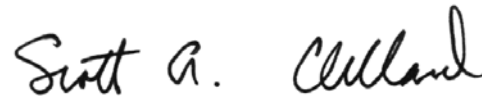
REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Educational Services Commission of New Jersey
County of Middlesex
Piscataway, New Jersey 08854

We have audited, in accordance with generally accepted auditing 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 in the County of Middlesex for the year ended June 30, 2019, and have issued our report thereon dated December 3, 2019.

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 solely for the information of the Educational Services Commission of New Jersey Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

December 3, 2019
Livingston, New Jersey

**EDUCATIONAL SERVICES COMMISSION OF NEW JERSEY
ADMINISTRATIVE FINDINGS – FINANCIAL
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Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the 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

Insurance coverage was carried in the amounts as detailed on J-20, Insurance Schedule contained in the Commission's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|------------------|--|---------------|
| Patrick M. Moran | School Business Administration/Board Secretary | \$ 400,000 |

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 \$400,000.

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 which did not indicate any discrepancies with respect to 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 were certified by the President of the Commission and the Board Secretary/Business Administrator.

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Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll.

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 and 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 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% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary did not identify any exceptions.

Elementary and Secondary Education Act (ESEA) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the Comprehensive Annual Financial Report (CAFR). This section of the CAFR documents the financial position pertaining to the projects under Title I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

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 Schedules A (K-3) and B (K-4) located in the CAFR.

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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 indicated no instances 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 Teacher's Pension and Annuity Fund. 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 \$19,000 for 2018-19.

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 audit, we did not identify 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, as amended.

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

Our testing noted the following:

Finding 2019-001:

During our testing of Public School Contracts Law, we noted purchases made by non-public schools that were over the quote threshold for which the Commission/non-public school did not obtain more than one quote.

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Recommendation:

We suggest that the Commission's management ensure that all non-public schools obtain multiple quotes for items as required by the Public School Contracts Law.

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 School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also 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.

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

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

Student Body Activities

During our review of the student activity funds, there were no exceptions noted.

Application for State School Aid (A.S.S.A.)

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.

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Miscellaneous

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

Teacher's Pension and Annuity Fund

During our testing of T.P.A.F. eligibility, we identified that a projected salary was used for the base salary of hourly employees. The Commission should report the actual compensation of a member or perform a true up in the last quarter of the fiscal year.

Net Cash Resources

The Commission implemented a corrective action to reduce excess cash as a result of a state finding and therefore no recommendation was made in the AMR.

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings and recommendations. Corrective action was taken, however the same instances occurred in 2019 and is repeated in this year's recommendations noted as finding "2019-001:"

During our testing of Public School Contracts Law, we noted purchases made by non-public schools that were over the quote threshold for which the Commission did not obtain more than one quote.

There were no Office of Fiscal Compliance ("OFAC") audit reports issued during the 2018-19 fiscal year.

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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Audit Recommendations Summary

We suggest the following:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

2019-001 - The Commission's/Non-Public Schools management ensure that all non-public schools obtain multiple quotes for items as required by the Public School Contracts Law.

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Findings

None