

*Auditor's Management Report*

*for the*

*Borough of Roselle  
School District*

*in the*

*County of Union  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2019*



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

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## INDEPENDENT AUDITOR'S REPORT

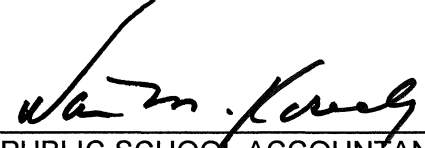
Honorable President and Members  
of the Board of Education  
Borough of Roselle School District  
County of Union  
Roselle, New Jersey 07203

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 Borough of Roselle School District in the County of Union for the year ended June 30, 2019, and have issued our report dated December 23, 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 Borough of Roselle School District, County of Union, 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. 962

December 23, 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 Roselle Board of Education, and the records of the various funds under the auspices of the Board of Education.

**ADMINISTRATIVE PRACTICES AND PROCEDURES**

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

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>
Brian McCarthy	Treasurer of School Monies	\$310,000.00
Anthony Juskiewicz	Business Administrator/Board Secretary	\$310,000.00
All Employees	Blanket Bond	\$250,000.00

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING**

**Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Account**

The salaries of all employees of the Board and the Board's required payroll contributions were deposited in the Salary & Payroll Agency Accounts.

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

**2019-01 Finding:** An analysis of the balance on deposit in the Salary and Payroll Agency accounts was not maintained.

**2019-01 Recommendation:** That balances on deposit in the Salary and Payroll Agency accounts be analyzed monthly.

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**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, Liability (Current) for Accounts Payable**

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

**Unemployment Compensation Insurance Trust Fund**

The Board has adopted the liability method. Under this plan, the District is required to calculate and pay the amount required on a quarterly basis based upon rates as determined by the New Jersey Department of Labor.

**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 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 satisfactory condition and appropriate balances matched to those prepared by the Treasurer of School Monies, with the following exceptions:

**2019-02 Finding:** Our audit revealed instances of missing and incorrect journal entries, which resulted in several inaccurate account balances in the District's general ledgers.

**2019-02 Recommendation:** That the business office implement controls to ensure all journal entries are made to the accounting records on a timely basis.

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

**Board Secretary's Records (Continued)**

**2019-03 Finding:** Our auditing of the payroll processing department revealed that improvements are needed to the controls over: payment of salaries within agreed upon salary guides; and maintain documentation on file for audit for accumulated absences.

**2019-03 Recommendation:** That controls be improved over payroll processing and related activities.

**Treasurer's Records**

The records maintained by the Treasurer of School Monies were in satisfactory condition and independently maintained from the Board Secretary/Board Administrator.

**Elementary and Secondary Education Act (E.S.E.A.) as Amended by Every Student Succeeds Act (ESSA)**

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 projects under Titles I, II, III, and VI of the Elementary and Secondary Education Act as amended and reauthorized.

**2019-04 Finding:** Our audit revealed reimbursements were not requested and received timely for program expenditures made during the grant period for the IDEA, ESEA, and Perkins programs. The result is a large receivable balance that can have a negative impact on the District's overall cash flow.

**2019-04 Recommendation:** That program expenditure reimbursement reports be filed for all federal programs on a timely basis.



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

**Other Special Federal and 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 biweekly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and a recalculation to verify proper amounts were used. 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 \$29,000.00, 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. (pending before the Legislature as section 15 of this bill) 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 for 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 (CONTINUED)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

**N.J.S.A. 18A:18A-3 States (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.

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

**SCHOOL PURCHASING PROGRAMS (CONTINUED)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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. 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 examination did reveal however, that the district made purchases through the use of state contracts.

Our examination of the District purchasing procedures revealed the following:

**2019-05 Finding:** Our audit of the District's purchasing revealed that numerous items over the bid threshold were not awarded by the board of education in the minutes; and also professional services contracts were not advertised after award.

**2019-05 Recommendation:** That all items over the bid threshold be properly awarded by the board of education; and that all required professional services contracts be advertised after award.

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

**SCHOOL FOOD SERVICE FUND**

The school food service program was not selected as a major federal and state program. However, the program expenditures exceeded \$100,000 in federal and 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 financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

**STUDENT BODY ACTIVITIES**

**Student Activities and Athletics Account**

Our review of the student activity funds disclosed the following findings:

**2019-06 Finding:** Our examination of the District's student activity funds revealed that bank reconciliations are not being properly prepared each month. Also, an analysis of the balance of each account's activity, club, & class sub-accounts is not being maintained.

**2019-06 Recommendation:** That accurate bank reconciliations be prepared and the balance on deposit be analyzed monthly.

**APPLICATION FOR STATE SCHOOL AID**

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information that was included on the workpapers was verified without exception. 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 has adequate procedures for the recording of student enrollment data.

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

**PUPIL TRANSPORTATION**

Our audit procedures included a test of on roll status reported in the 2018-19 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district 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**

Our procedures included review of active SDA agreements, transfers of local funds from the general fund or from the capital reserve account, awarding of contracts for eligible facilities construction, and the District's capital assets ledger. The district has a substantial account receivable balance from completed projects, however the proper procedures have not yet been performed to receive all eligible funding from the SDA.

**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 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 ON PRIOR YEAR'S FINDINGS**

Prior year findings were corrected with the exception of items marked with '\*\*' on the following page.

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

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**\*2019-01 Recommendation:** That balances on deposit in the Salary and Payroll Agency accounts be analyzed monthly.

**\*2019-02 Recommendation:** That the business office implement controls to ensure all journal entries are made to the accounting records on a timely basis.

**\*2019-03 Recommendation:** That controls be improved over payroll processing and related activities.

**\*2019-04 Recommendation:** That program expenditure reimbursement reports be filed for all federal programs on a timely basis.

3. School Purchasing Program

**\*2019-05 Recommendation:** That all items over the bid threshold be properly awarded by the board of education; and that all required professional services contracts be advertised after award.

4. School Food Service

None

5. Student Body Activities

**\*2019-06 Recommendation:** That accurate bank reconciliations be prepared and the balance on deposit be analyzed monthly.

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

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

9. Status of Prior Year's Findings/Recommendations

Prior year findings were corrected with the exception of items marked with "\*\*" on the following page.

BOROUGH OF ROSELLE SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	2019-20 Application for State School Aid						Sample for Verification						Private School for Handicapped						
	Reported on A.S.S.A. 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.S.A. as Private Schools		Sample Verification		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Pre-K 3yr	3		3																
Half Day Pre-K 4yr	20		20																
Full Day Pre-K 3yr	3		3																
Full Day Pre-K 4yr	14		14																
Full Day Kindergarten	206		206					12	12										
One	215		215					36	36										
Two	220		220					28	28										
Three	190		190					30	30										
Four	218		218					31	31										
Five	231		231					13	13										
Six	196		196					10	10										
Seven	226		226					11	11										
Eight	200		200					14	14										
Nine	163		163					10	10										
Ten	161	2	161	2				11	11										
Eleven	164	2	164	2				13	13										
Twelve	162	1	162	1				13	13										
Subtotal	2,592	5	2,592	5			232	232	232										
SpEd Elementary (PK-5)	181		181					62	62										
SpEd Middle School (6-8)	73		73					20	20										
SpEd High School	84	5	84	5				10	10						7	7			7
Subtotal	338	5	338	5			92	92	92						7	7			7
Totals	2,930	10	2,930	10			324	324	324						7.0	7			7

Percentage



BOROUGH OF ROSELLE SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	Resident 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	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Pre-School												
Full Day Kindergarten												
One	147	147		9	9		45	45		3	3	
Two	168	168		28	28		56	56		7	7	
Three	177	177		24	24		43	43		4	4	
Four	151	151		26	26		23	23		4	4	
Five	176	176		26	26		36	36		4	4	
Six	183	183		10	10		13	13		2	2	
Seven	158	158		9	9		10	10		1	1	
Eight	175	175		9	9		13	13		2	2	
Nine	141	141		11	11		14	14		2	2	
Ten	129	129		8	8		16	16		2	2	
Eleven	118.5	118.5		10	10		12	12		1	1	
Twelve	123.5	123.5		11	11		14	14		1	1	
Subtotal	127	127		11	11		15	15		1	1	
	1974	1974		192	192		310	310		34	34	
SpEd Elementary	146	146		33	33		11	11		5	5	
SpEd Middle School	56	56		9	9		1	1		1	1	
SpEd High School	76.5	77		6	6							
Subtotal	278.5	279		48	48		12	12		6	6	
Totals	2,252.5	2252.5		240	240		322	322		40	40	
Percentage Error												
Transportation												
	Reported on DTRRS by DOE	Reported on DTRRS by District	Errors	Tested	Verified	Errors						
Reg. - Public Schools, col. 1	147	147		75	75							
Reg -SpEd, col. 4	2.0	2.0		2	2							
Special Ed Spec, col. 6	116.0	116.0		55	55							
Totals	265	265		132	132							
Percentage Error												

BOROUGH OF ROSELLE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 13, 2018

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School						
Full Day Pre-School						
Full Day Kindergarten	10	10				
One	5	5		1	1	
Two	3	3				
Three	2	2				
Four	4	4		1	1	
Five	3	3		1	1	
Six	3	3				
Seven	1	1				
Eight	4	4		1	1	
Nine						
Ten	2	2		1	1	
Eleven	3	3		1	1	
Twelve	1	1				
Subtotal	<u>41</u>	<u>41</u>		<u>6</u>	<u>6</u>	
SpEd Elementary	1	1				
SpEd Middle School						
SpEd High School						
Subtotal	<u>1</u>	<u>1</u>				
Totals	<u>42</u>	<u>42</u>		<u>6</u>	<u>6</u>	
Percentage Error						

BOROUGH OF ROSELLE SCHOOL DISTRICT  
SCHEDULE OF CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION 1

2% Calculation of Excess Surplus (2018-19 expenditures of \$100 million or less)

2018 - 2019 Total General Fund Expenditures	<u>56,622,169.71</u>	
Decreased by:		
On-Behalf TPAF Pension, PRM, LTD, & Social Security	<u>7,093,895.77</u>	
Adjusted 2018 - 2019 General Fund Expenditures		<u>49,528,273.94</u>
2% of Adjusted 2018 - 2019 General Fund Expenditures		<u>990,565.48</u>
Greater of line above or \$250,000.00		<u>990,565.48</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>990,565.48</u></u>

SECTION 2

Total General Fund Balances @ 6-30-19	<u>10,288,319.80</u>	
Decreased by:		
Year End Encumbrances	<u>2,435,612.90</u>	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	<u>2,700,000.00</u>	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Emergency Reserve)	<u>1,362,141.42</u>	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>3,790,565.48</u>

SECTION 3

Reserved Fund Balance-Excess Surplus		<u><u>2,800,000.00</u></u>
<u>Recapitulation of excess surplus as of June 30, 2019</u>		
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		<u>2,700,000.00</u>
Reserved Excess Surplus		<u>2,800,000.00</u>
Total		<u><u>5,500,000.00</u></u>



