

Auditor's Management Report

for the

*City of Linden
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2020*

**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
City of Linden School District
Linden, New Jersey 07036

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 City of Linden School District in the County of Union for the year ended June 30, 2020, and have issued our report dated December 22, 2020.

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 City of Linden 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 22, 2020

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 the activities of the City of Linden - Board of Education, 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 (Exhibit J-20) contained in the District’s Comprehensive Annual Financial Report (CAFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Kathleen A. Gaylord	Business Administrator/Board Secretary	\$500,000.00
Denise Cleary	Acting Superintendent	\$500,000.00
Danny A. Robertozzi	Treasurer of School Monies	\$500,000.00

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, certification 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 tested were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

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 with a warrant made to her order for the full amount of each payroll.

**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 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 reserve 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: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 the test the propriety of expenditure classification.

Board Secretary's Records

The financial records of the Board Secretary were maintained in satisfactory condition.

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

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

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 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.

Finding 2020-001: The district is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services per N.J.A.C. 6A:23A-5.3.

Recommendation 2020-001: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly 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.

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

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 for by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,600.00.

**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.

School Food Service

COVID – 19 Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter and Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A. 18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

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

School Food Service (Continued)

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 SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

In addition, we 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 charges in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

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 15, 2019 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 on the A.S.S.A. was compared to the district workpapers with minor exceptions. The information that was included on the workpapers was verified with minor 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.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2019-2020 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an 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.

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

Capital Assets and Facilities

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

Testing for Lead of Drinking Water in Educational Facilities

We were advised that the school district adhered to 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 assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g)

Follow-Up Prior Year's Findings

Not applicable.

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

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

Recommendation 2020-001: The district should establish procedures to ensure that it maximizes its efforts under SEMI for obtaining federal reimbursement for special education services.

School Purchasing Program

None

School Food Service

None

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Capital Assets and Facilities

None

Testing for Lead of Drinking Water in Educational Facilities

None

Prior Year Audit Findings

None

**CITY OF LINDEN SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	2020-21 Application for State School Aid				Sample for Verification				Private School for Handicapped						
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Pre-School	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Full Day Pre-School	309	0	309	0	0	0	15	0	0	0	0	0	0	0	
Full Day Kindergarten	384	0	384	0	0	0	20	0	0	0	0	0	0	0	
One	424	0	424	0	0	0	21	0	0	0	0	0	0	0	
Two	399	0	399	0	0	0	20	0	0	0	0	0	0	0	
Three	383	0	383	0	0	0	19	0	0	0	0	0	0	0	
Four	396	0	396	0	0	0	20	0	0	0	0	0	0	0	
Five	375	0	375	0	0	0	19	0	0	0	0	0	0	0	
Six	420	0	420	0	0	0	21	0	0	0	0	0	0	0	
Seven	360	0	360	0	0	0	18	0	0	0	0	0	0	0	
Eight	373	0	373	0	0	0	19	0	0	0	0	0	0	0	
Nine	368	0	368	0	0	0	18	0	0	0	0	0	0	0	
Ten	363	1	363	1	0	0	18	0	0	0	0	0	0	0	
Eleven	345	11	345	11	0	0	17	0	0	0	0	0	0	0	
Twelve	354	8	354	8	0	0	18	0	0	0	0	0	0	0	
Subtotal	5,263	20	5,263	20	0	0	263	0	0	0	0	0	0	0	
SpEd Elementary (PK-5)	451	0	451	0	0	0	23	0	0	0	0	0	15	11	
SpEd Middle School (6-8)	237	0	237	0	0	0	12	0	0	0	0	0	14	11	
SpEd High School	270	23	270	23	0	0	14	0	0	0	0	0	47.5	36	
Subtotal	958	23	958	23	0	0	49	0	0	0	0	0	76.5	58	
Totals	6,221	43	6,221	43	0	0	312	0	0	0	0	0	77	58	
Percentage					0.00%										0.00%

**CITY OF LINDEN SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	Resident Low Income			Resident ELL Low Income			Sample for Verification			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Reported on A.S.S.A. as ELL Low Income	Reported on Workpapers as ELL Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Sample Errors
Full Day Kindergarten	216	216	0	28	28	0	13	13	13	13	0	0
One	260	260	0	34	34	0	16	16	16	16	0	0
Two	238	238	0	35	35	0	17	17	17	17	0	0
Three	242	242	0	19	19	0	9	9	9	9	0	0
Four	238	238	0	26	26	0	12	12	12	12	0	0
Five	219	219	0	17	17	0	8	8	8	8	0	0
Six	258	258	0	14	14	0	7	7	7	7	0	0
Seven	221	221	0	15	15	0	7	7	7	7	0	0
Eight	218	218	0	16	16	0	8	8	8	8	0	0
Nine	224	224	0	12	12	0	6	6	6	6	0	0
Ten	215.5	215.5	0	22	22	0	11	11	11	11	0	0
Eleven	197	197	0	26	26	0	12	12	12	12	0	0
Twelve	201.5	201.5	0	16	16	0	8	8	8	8	0	0
Subtotal	2948	2948	0	280	280	0	134	134	134	134	0	0
SPeD Elementary	306	306	0	22	22	0	11	11	11	11	0	0
SPeD Middle School	166	166	0	5	5	0	2	2	2	2	0	0
SPeD High School	193.0	193.0	0	4	4	0	2	2	2	2	0	0
Subtotal	665.0	665.0	0	31	31	0	15	15	15	15	0	0
Totals	3613	3613	0	311	311	0	149	149	149	149	0	0
Percentage Error			0.00%			0.00%					0.00%	

	Transportation			Percentage Error		
	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Reported on DRTS by DOE	Reported on DRTS by District	Errors
Reg Public Schools, col.1	634	634	0	634	634	0
Transported - Non-Public, col.2	42	42	0	42	42	0
Nonpublic - All, col.3	148	148	0	148	148	0
Reg. - SpEd, col.4	90	90	0	90	90	0
Special Ed Spec, col.6	336	336	0	336	336	0
Totals	1250	1250	0	1250	1250	0
Percentage Error			0.00%			0.00%

**CITY OF LINDEN SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	Resident ELL 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	0	0	0	0	0	0
Full Day Pre-School	0	0	0	0	0	0
Full Day Kindergarten	13	13	0	9	9	0
One	20	20	0	14	14	0
Two	13	13	0	9	9	0
Three	8	8	0	5	5	0
Four	10	10	0	7	7	0
Five	6	6	0	4	4	0
Six	2	2	0	1	1	0
Seven	3	3	0	2	2	0
Eight	6	6	0	4	4	0
Nine	7	7	0	5	5	0
Ten	7	7	0	5	5	0
Eleven	6	6	0	4	4	0
Twelve	9	9	0	6	6	0
Subtotal	<u>110</u>	<u>110</u>	<u>0</u>	<u>75</u>	<u>75</u>	<u>0</u>
SpEd Elementary	9	9	0	6	6	0
SpEd Middle School	1	1	0	1	1	0
SpEd High School	0	0	0	0	0	0
Subtotal	<u>10</u>	<u>10</u>	<u>0</u>	<u>7</u>	<u>7</u>	<u>0</u>
Totals	<u>120</u>	<u>120</u>	<u>0</u>	<u>82</u>	<u>82</u>	<u>0</u>
Percentage Error			0.00%			0.00%

LINDEN SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION 1

2% Calculation of Excess Surplus

2019 - 2020 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 140,229,423.82
Increased by:	
Transfer from General Fund to SRF for PreK	116,475.00
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 18,475,811.35
Assets acquired under Capital Leases	951,220.00
Adjusted 2019 - 2020 General Fund Expenditures	\$ <u>120,918,867.47</u>
2% of Adjusted 2019 - 2020 General Fund Expenditures	\$ <u>2,418,377.35</u>
Greater of line above or \$250,000.00	\$ <u>2,418,377.35</u>
Increased by: Allowable Adjustment	\$ <u>275,650.00</u>
Maximum Unreserved/Undesignated Fund Balance	\$ <u><u>2,694,027.35</u></u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-20	\$ <u>34,375,857.61</u>
Decreased by:	
Year-end Encumbrances	\$ <u>3,363,936.92</u>
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ <u>2,500,275.00</u>
Other Restricted Fund Balances:	
Emergency Reserve	\$ <u>945,297.80</u>
Capital Reserve	\$ <u>20,533,815.38</u>
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>897,465.00</u>
Total Unassigned Fund Balance	\$ <u>6,135,067.51</u>

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u><u>3,441,040.16</u></u>
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Recapitulation of excess surplus as of June 30, 2020

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>2,500,275.00</u>
Reserved Excess Surplus	\$ <u>3,441,040.16</u>
Total Excess Surplus	\$ <u><u>5,941,315.16</u></u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 265,100.00
Additional Non-Public School Transportation Aid	<u>10,550.00</u>
	\$ <u><u>275,650.00</u></u>

