

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, 2020*

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

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020, and have issued our report dated January 8, 2021.

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

January 8, 2021

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.

2020-01 Finding: An analysis of the balance on deposit in the Salary and Payroll Agency accounts was not maintained.

2020-01 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:

2020-02 Finding: Our audit revealed instances of missing and incorrect journal entries, which resulted in several inaccurate account balances in the District's general ledgers.

2020-02 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)

2020-03 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 maintenance of signed copies of employment contracts.

2020-03 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.

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.

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 or 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 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 \$19,600.00.

**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 FUND

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all 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 Free and Reduced Price 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 Free and Reduced Price meal 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 FUND (CONTINUED)

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.

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.

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:

2020-04 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.

2020-04 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, 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 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 2019-20 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.

2020-05 Finding: Our examination of the District's capital assets ledger revealed that an updated ledger was not prepared for the period under audit.

2020-05 Recommendation: That the District maintain an accurate and detailed capital assets ledger each year.

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

***2020-01 Recommendation:** That balances on deposit in the Salary and Payroll Agency accounts be analyzed monthly.

***2020-02 Recommendation:** That the business office implement controls to ensure all journal entries are made to the accounting records on a timely basis.

***2020-03 Recommendation:** That controls be improved over payroll processing and related activities.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

***2020-04 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

2020-05 Recommendation: That the District maintain an accurate and detailed capital assets ledger each year.

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, 2019

	2020-21 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 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	5		5																
Half Day Pre-K 4yr	14		14																
Full Day Pre-K 3yr	6		6																
Full Day Pre-K 4yr	14		14																
Full Day Kindergarten	167		167				17		17										
One	209		208	1			21		21										
Two	200		200				20		20										
Three	197		197				20		20										
Four	193		194		-1		20		20										
Five	219		219				22		22										
Six	239		239				24		24										
Seven	205		205				20		20										
Eight	218		218				22		22										
Nine	180		180				20		20										
Ten	143		143				16		16										
Eleven	166	5	166	5			18		18										
Twelve	161	2	161	2			18		18										
Subtotal	2,536	7	2,536	7			258		258										
SpEd Elementary (PK-5)	173		173				17		17										
SpEd Middle School (6-8)	79		79				8		8										
SpEd High School	82	3	82	3			8		8										
Subtotal	334	3	334	3			33		33										
Totals	2,870	10	2,870	10			291		291										

Percentage

BOROUGH OF ROSELLE SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2019

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	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	Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Pre-School	96	96		9	9		32	32		3	3	
Full Day Kindergarten	157	157		15	15		36	36		3	3	
One	146	146		14	14		47	47		4	4	
Two	152	152		15	15		31	31		3	3	
Three	150	150		15	15		22	22		2	2	
Four	173	173		17	17		24	24		2	2	
Five	179	179		18	18		23	23		2	2	
Six	150	150		15	15		10	10		1	1	
Seven	165	165		16	16		13	13		1	1	
Eight	132	132		13	13		23	23		2	2	
Nine	110	110		11	11		16	16		1	1	
Ten	124.5	124.5		12	12		16	16		1	1	
Eleven	118.5	118.5		12	12		19	19		1	1	
Twelve	185.5	185.5		182	182		312	312		26	26	
Subtotal												
SpEd Elementary	135	135		13	13		11	11		1	1	
SpEd Middle School	62	62		6	6		5	5		1	1	
SpEd High School	76.0	76		7	7		1	1		1	1	
Subtotal	273.0	273		26	26		17	17		3	3	
Totals	2,126.0	2,126		208	208		329	329		29	29	

Percentage Error

Transportation					
Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
146	146		15	15	
1.0	1.0		1	1	
101.0	101.0		10	10	
248	248		26	26	

Reg. - Public Schools, col. 1
 Reg -SpEd, col. 4
 Special Ed Spec, col. 6
 Totals

Percentage Error

BOROUGH OF ROSELLE SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2019

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Pre-School						
Full Day Pre-School						
Full Day Kindergarten	21	21		2	2	
One	6	6		1	1	
Two	4	4		1	1	
Three	2	2		1	1	
Four	1	1		1	1	
Five	1	1		1	1	
Six	2	2		1	1	
Seven	5	5		1	1	
Eight	3	3		1	1	
Nine	1	1		1	1	
Ten	1	1		1	1	
Eleven	2	2		1	1	
Twelve						
Subtotal	<u>49</u>	<u>49</u>		<u>13</u>	<u>13</u>	
SpEd Elementary	2	2		1	1	
SpEd Middle School						
SpEd High School						
Subtotal	<u>2</u>	<u>2</u>		<u>1</u>	<u>1</u>	
Totals	<u>51</u>	<u>51</u>		<u>14</u>	<u>14</u>	
Percentage Error						

BOROUGH OF ROSELLE SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

SECTION 1

2% Calculation of Excess Surplus (2019-20 expenditures of \$100 million or less)

2019 - 2020 Total General Fund Expenditures	61,247,885.40	
Decreased by:		
On-Behalf TPAF Pension, PRM, LTD, & Social Security	7,566,215.94	
Adjusted 2019 - 2020 General Fund Expenditures		<u>53,681,669.46</u>
2% of Adjusted 2019 - 2020 General Fund Expenditures		<u>1,073,633.39</u>
Greater of line above or \$250,000.00		<u>1,073,633.39</u>
Increased by: Allowable Adjustment		<u>14,403.00</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>1,088,036.39</u></u>

SECTION 2

Total General Fund Balances @ 6-30-20	9,374,862.05	
Decreased by:		
Year End Encumbrances	1,570,816.96	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	2,800,000.00	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Emergency Reserve)	1,650,986.24	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>3,353,058.85</u>

SECTION 3

Reserved Fund Balance-Excess Surplus		<u><u>2,265,022.46</u></u>
<u>Recapitulation of excess surplus as of June 30, 2020</u>		
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		<u>2,800,000.00</u>
Reserved Excess Surplus		<u>2,265,022.46</u>
Total		<u><u>5,065,022.46</u></u>
<u>Detail of Allowable Adjustments</u>		
Additional/Unbudgeted Extraordinary Aid		<u>14,403.00</u>
		<u><u>14,403.00</u></u>

