

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

**AUDITOR'S MANAGEMENT REPORT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED
JUNE 30, 2021**

PREPARED BY

***SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS***

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

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

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Directors
Essex Regional Educational Services Commission
Fairfield, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Essex Regional Educational Services Commission as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated March 11, 2022.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey 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 and use of management, the Board of Directors, others within the Commission and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.



JOSEPH J. FACCONI
Licensed Public School Accountant #194



SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
March 11, 2022

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the Commission and the records of the various funds under the auspices of the Commission.

Administrative Practices and Procedures

Insurance

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Carrie Grapstein	Board Secretary/School Business Administrator	\$400,000

There is a blanket dishonesty bond with New Jersey School Insurance Group covering all other employees with multiple coverage of \$500,000.

Tuition Charges

Not Applicable.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed no discrepancies with respect to signatures, certification or supporting documentation.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payroll deductions with Withholding Tax, Social Security, Employees' Pension Funds, Hospitalization Premiums and other items as well as the Board's Payroll Contributions, were deposited to the Payroll Agency Bank Account.

Finding 2021-01:

On the PCR document under the F.T.E column, numerous employees have split charges on their salaries but it is not showing the split salary amount to their account.

Recommendation:

That all salaries for split charges should be indicated on the PCR.

Reserve for Encumbrances and Accounts Payable

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

All encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.

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 tested 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 0.0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

The minutes maintained by the Board Secretary were in satisfactory condition. The prescribed contractual order system was followed.

The School District's double entry system of account records were maintained in accordance with the Department of Education's prescribed GAAP Technical Systems Manual, pursuant to N.J.S.A. 18A:4-14 and N.J.A.C. 6:20-2A.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

Finding 2021-02:

Our audit of the Commission's financial accounting records revealed the following:

- At June 30, 2021 the Commission had receivables from other Local Education Agencies ("LEA's") in excess of \$16.1 million in the General Fund and \$3.4 million in the Special Revenue Fund.
- Management has made a concerted effort to collect all prior years' receivables. As of February 23, 2022, \$3.6 million remains uncollected.
- Amounts reported in the Commission's June 30, 2021 general ledger were not in agreement with the billing system.

Recommendations:

- That internal control procedures be reviewed and enhanced to ensure the accuracy and collection of outstanding accounts receivable.
- That procedures be implemented to ensure that the Commission's general ledger is in agreement with the billing system.

Business Administrator's Records

Finding 2021-03:

The modified budget of the Capital Projects Fund was not in agreement with the prior year audit.

Recommendation:

That the Commission review the Capital Projects Fund budget to ensure that the budget is in agreement with the available funds.

Finding 2021-04:

During our review of the Treasurer's records, we noted an outstanding check over one (1) year old.

Recommendation:

That all outstanding checks over one (1) year old be reviewed for cancellation.

Finding 2021-05:

Our review of the activity in the Capital Project Fund revealed the following:

- A current year disbursement was recorded to the accounts payable account. This disbursement should have been charged to the budget. A journal entry was made to correct this posting error.
- A current year disbursement was recorded to the accounts payable - prior year account. The disbursement should have been charged to the budget. A journal entry was made to correct this posting error.

Recommendation:

That the Capital Projects Fund budget be charged for all current year expenditures.

Finding 2021-06:

We noted during our review of that the Detail Receipt Transaction Report and the Summary Cash Receipt Report did not agree in the month of June 2021.

Recommendation:

That the various reports reflecting the same information be in agreement.

Treasurer's Records

Acknowledgment of the Board's receipt of the Treasurer's Report was included in the minutes.

Elementary and Secondary Education Act (E.S.E.A.), 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 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.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questioned costs.

Other Special Federal and/or State Projects

The Commission's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR. Expenditures of federal awards did not meet the \$750,000.00 expenditure threshold requiring a federal single audit.

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 that there were no areas of noncompliance and/or questioned costs.

TPAF Reimbursement

Our audit procedures included a test of the bimonthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the Commission to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Commission for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by *N.J.S.A. 18A:66-90*. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

School Purchasing Program

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* is \$44,000.00 with a Qualified Purchasing Agent. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is \$19,600.00 for 2020 - 2021.

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.

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 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*.

The system of records did not provide for an accumulation of purchases for which the Commission 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.

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The Commission 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 Cost Reimbursable or Fixed Price contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results 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.

Expenditures should be 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.

Net cash resources exceeded three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education/board of trustees. No exceptions were noted.

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 Commission did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Cooperative Purchasing Enterprise Fund

The Commission operates a cooperative purchasing enterprise fund. There was no activity in the fund.

Facilities and Capital Assets

Finding 2021-07:

Condition:

The general fixed asset report additions and deletions did not agree with the Commission's records.

Recommendation:

That the general fixed asset report additions and deletions agree with the Commission's records.

Testing for Lead of All Drinking Water in Educational Facilities

The Commission 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 did submit 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

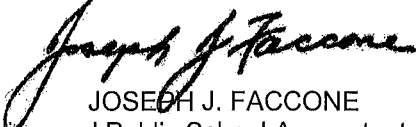
In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action has been taken on all prior findings.

Miscellaneous

The minutes indicate that the Report on Examination of Accounts for the 2019-2020 fiscal year was reviewed by the Commission, a synopsis thereof distributed at a public meeting and public discussion held.

Acknowledgment

We received the complete cooperation of all the officials of the Commission and greatly appreciate the courtesies extended to the members of the audit team.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
March 11, 2022

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER)/ UNDER- CLAIM</u>
National School Lunch (High Rate)	Paid	0	0	0		\$ 0.35	\$
National School Lunch (High Rate)	Reduced	0	0	0		3.13	
National School Lunch (High Rate)	Free	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>		3.53	<u>-</u>
	Total	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>			<u>-</u>
National School Lunch	HHFKA	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>		0.07	<u>-</u>
School Breakfast (Severe Need Rate)	Paid	0	0	0		0.32	
	Reduced	0	0	0		1.59	
	Free	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>		1.89	<u>-</u>
	Total	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>			<u>-</u>
Total							<u>\$ -</u>

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - STATE
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER)/ UNDER- CLAIM</u>
State Reimbursement - National School Lunch (High Rate)	Paid	0	0	0		\$ 0.050	\$ -
State Reimbursement - National School Lunch (High Rate)	Reduced	0	0	0		0.055	
State Reimbursement - National School Lunch (High Rate)	Free	2,884	2,884	2,884		0.055	
	Total	<u>2,884</u>	<u>2,884</u>	<u>2,884</u>			<u> </u>
Total							<u>\$ -</u>

ESSEX REGIONAL EDUCATION SERVICE COMMISSION NET CASH RESOURCE SCHEDULE

Net Cash Resources Did Not Exceed Three Months of Expenditures Proprietary Funds - Food Service FYE 2021

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 11,393.94
B-4		Due from Other Gov'ts	3,034.20
B-4		Accounts Receivable	
B-4		Investments	
CAFR		Current Liabilities	
B-4		Less Accounts Payable	
B-4		Less Interfunds Payable	(12,218.01)
B-4		Less Due to Other Gov'ts	
B-4		Less Deferred Revenue	
		Net Cash Resources	\$ 2,210.13 (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	19,250.94	
B-5	Less Depreciation	(5,622.00)	
	Adj. Tot. Oper. Exp.	\$ 13,628.94	(B)

Average Monthly Operating Expense:

	B / 10	\$ 1,362.89	(C)
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Three times monthly Average:

	3 X C	\$ 4,088.68	(D)
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TOTAL IN BOX A	\$	2,210.13	
LESS TOTAL IN BOX D	\$	4,088.68	
NET	\$	(1,878.55)	
From above:			
A is greater than D, cash exceeds 3 X average monthly operating expenses.			
D is greater than A, cash does not exceed 3 X average monthly operating expenses.			

* Inventories are not to be included in total current assets.

ESSEX REGIONAL EDUCATIONAL SERVICES COMMISSION
AUDIT RECOMMENDATIONS SUMMARY
FISCAL YEAR ENDED JUNE 30, 2021

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

1. That all salaries for split charges should be indicated on the PCR.
2. That internal control procedures be reviewed and enhanced to ensure the accuracy and collection of outstanding accounts receivable.
3. That procedures be implemented to ensure that the Commission's general ledger is in agreement with the billing system.
4. That the Commission review the Capital Projects Fund budget to ensure that the budget is in agreement with the available funds.
5. That all outstanding checks over one (1) year old be reviewed for cancellation.
6. That the Capital Projects Fund budget be charged for all current year expenditures.
7. That the various reports reflecting the same information be in agreement.

3. School Purchasing Program

None

4. School Food Service

None

5. Application for State School Aid

None

6. Pupil Transportation

None

7. Facilities and Capital Assets

8. That the general fixed asset report additions and deletions agree with the Commission's records.

8. Follow-Up on Prior Years' Findings

None

9. Miscellaneous

None

