

Auditor's Management Report

for the

*Union County Educational
Services Commission*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2021*

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

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| Schedule of Meal Count Activity | N/A |
| Schedule of Audited Enrollments | N/A |
| Excess Surplus Calculation | N/A |

Tax ID Number 22-6002313



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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Directors
Union County Educational Services Commission
County of Union, New Jersey

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 Union County Educational Services Commission in the County of Union for the year ended June 30, 2021, and have issued our report dated February 10, 2022.

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 Union County Educational Services Commission in the 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. 948

February 10, 2022

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed in the Commission's ACFR. (See Exhibit J-20)

Official Bonds

| <u>Name</u> | <u>Position</u> | <u>Amount of Bonds</u> |
|---------------|--|------------------------|
| Eric Larson | Business Administrator/Board Secretary | \$320,000.00 |
| All Employees | Employee Dishonesty | 400,000.00 |

Adequacy of insurance coverage is the responsibility of the Union County Educational Services Commission.

Tuition and Local Educational Agency Charges

The Commission bills for tuition and local educational agency charges on an ongoing basis based on attendance at contractual rates agreed to by the various local educational agencies. The computer system provides an accounts receivable schedule of uncollected balances.

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, certifications or supporting documentation.

Payroll Accounts

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

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE

Payroll Accounts (Continued)

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

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 his order for the full amount of each payroll.

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, 2020 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-16.2(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, three errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator's Records

The records maintained by the Business Administrator were maintained in satisfactory condition.

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Other Special Federal and/or State Projects

The Commission contracts with other school districts and bills those districts administrating the following programs:

- Basic Skills
- Bloodborne Pathogens
- Child Study Team
- E.D. Program
- Non-Public Textbooks
- Non-Public Technology Initiative
- Non-Public Nursing Services
- Non-Public Chapter 192/193
- IASA Title I Neglected, At Risk Children
- ESEA Title I P.L. 103-382
- Day Treatment Program (DYFS)
- IDEA Part B Basic Flow Through

The Commission's Special Projects were approved as listed on Schedule A and Schedule B located in the ACFR.

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 ACFR. This section of the ACFR 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 Commission employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
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School Purchasing Program

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 Commission 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 Commission may, by resolution, approve by the majority of the Commission 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 Commission finds that it has had negative prior experience with the bidder."

Effective July 1, 2020, 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 \$44,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,600.00.

The Commission 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.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

School Food Service

COVID – 19 EMERGENCY

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency, 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 (SFAs) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

During 2020-2021 the public health emergency was still applicable. As a result, SFAs were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program.

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 all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 students during the emergency.

The school food service program was not selected as a major federal and/or State program. However, 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.

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 or indirect costs. There were no exceptions noted.

We also inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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. We also inquired if the FSMC received a loan in accordance with the payroll protection plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

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

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
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FOOD SERVICE FUND (CONTINUED)

The District 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 fixed price or non-competitive emergency procurement 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 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.

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

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

Transportation

Our procedures included a review of transportation related contracts and purchases. Based on our review, the commission complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Capital Assets and Facilities

The records of the capital assets and facilities were in satisfactory condition.

2021-01 Finding: The Commission did not completely update the Capital Assets ledger during fiscal year 2020.

2021-01 Recommendation: That the District maintain an accurate and detailed Capital Assets ledger.

The records of the capital assets and facilities were in satisfactory condition.

Miscellaneous

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

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
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Follow-Up Prior Year's Audit Findings

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

In accordance with Government Auditing Standards, our procedures included a review of the prior year audit recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations noted as the following current year findings:

2020-01 Recommendation: That the Commission maintain an accurate and detailed Capital Assets ledger.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Programs

None

School Food Service

None

Student Body Activities

None

Application for State School Aid

None

Transportation

None

Capital Assets

2021-01 Recommendation: That the Commission maintain an accurate and detailed Capital Assets ledger.

Miscellaneous

None

