

Auditor's Management Report

for the

*Township of Warren
School District*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2021*

**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
Township of Warren School District
County of Somerset
Warren, New Jersey 07059

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 Township of Warren School District in the County of Somerset for the year ended June 30, 2021, and have issued our report dated February 4, 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 Township of Warren School District, County of Somerset, 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 4, 2022

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 Township of Warren 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 ACFR (See Exhibit "J-20").

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Ruth Davies	Treasurer of School Monies	\$273,000.00
Patricia Leonhardt	Board Secretary/School Business Administrator	105,000.00

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

Salary withholdings were promptly remitted to the proper agencies.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his 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, 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 direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

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.

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 the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title I, II, and Title IV of the Elementary and Secondary Education Act as amended and reauthorized.

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Other Special Federal and State Projects

The District'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 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. No reimbursement was due for the fiscal year 2021. 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 \$44,000.00. 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)

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, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$44,000.00 (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.

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.

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

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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

COVID-19 Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 virus all public, charter, 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 Free and Reduced Price eligible students during the period of school closures.

Therefore, SFA's 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 SFA's 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.

SFA's 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.

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The district did not operate its milk or juice & water programs for the fiscal year due to covid-related limitations, depreciation on existing capital assets were the only transactions in this fund.. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in Exhibits B-4, B-5, and B-6 of the ACFR.

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

STUDENT BODY ACTIVITIES

Middle School and Athletics Account

A cash receipts and disbursement record was maintained in satisfactory condition.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2020 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.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2020-21 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. No exceptions were noted.

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

FACILITIES AND CAPITAL ASSETS

Our procedures included review of any 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. No exceptions noted.

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

Our procedures included examination and interviews regarding the district's compliance with N.J.A.C. 26-1.2 and 12.4 relating to the testing for lead in drinking water. 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). No exceptions were noted.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations, if applicable. There were no recommendations in prior year.

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
None
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
None
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None
9. Status of Prior Year's Findings/Recommendations
None

TOWNSHIP OF WARREN SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2020

	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		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day PreK 3 yrs	5		5		0		1		1		0		0		0	
Half Day PreK 4 yrs	12		12		0		2		2		0		0		0	
Full Day Kindergarten	118		118		0		21		21		0		0		0	
One	138		138		0		25		25		0		0		0	
Two	141		141		0		25		25		0		0		0	
Three	137		137		0		25		25		0		0		0	
Four	151		151		0		27		27		0		0		0	
Five	144		144		0		26		26		0		0		0	
Six	144		144		0		26		26		0		0		0	
Seven	151		151		0		27		27		0		0		0	
Eight	156		156		0		28		28		0		0		0	
Subtotal	1,297	0	1,297	0	0	0	233	0	233	0	0	0	0	0	0	0
SpEd Elementary	125		125		0		23		23		0		2	1	1	1
SpEd Middle School	92		92		0		16		16		0		6	1	1	0
SpEd High School					0				0		0					0
Subtotal	217	0	217	0	0	0	39	0	39	0	0	0	8	2	2	0
Totals	1,514	0	1,514	0	0	0	272	0	272	0	0	0	8	2	2	0
Percentage					0.00%						0.00%					0.00%

TOWNSHIP OF WARREN SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2020

	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
Half Day Preschool 3 yrs												
Half Day Preschool 4 yrs												
Full Day Kindergarten												
One	1	1	0	1	1	0	1	1	0	1	1	0
Two			0			0			0			0
Three			0			0			0			0
Four			0			0			0			0
Five	1	1	0	1	1	0			0			0
Six			0			0			0			0
Seven			0			0			0			0
Eight	1	1	0	1	1	0			0			0
Subtotal	3	3	0	3	3	0	1	1	0	1	1	0
SpEd Elementary			0			0			0			0
SpEd Middle School		0	0		0	0			0			0
SpEd High School			0			0			0			0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Totals	3	3	0	3	3	0	1	1	0	1	1	0
Percentage Error	0.00%			0.00%			0.00%			0.00%		

Transportation

	Reported on DRTRS by DOE		Reported on DRTRS by District		Tested		Verified		Errors
	DOE	District	District	Errors	Tested	Verified	Errors		
Reg. Public Schools, col.1	567	567	0	0	90	90	0	0	
Transported - Non-Public, Col.2	0	0	0	0	0	0	0	0	
Non-Public ALL, col.3	113	113	0	0	18	18	0	0	
Reg. - SpEd, Col.4	57	57	0	0	9	9	0	0	
Special Ed Spec, col.6	171	171	0	0	27	27	0	0	
Totals	908	908	0	0	144	144	0	0	
Percentage Error	0.00%			0.00%			0.00%		

TOWNSHIP OF WARREN SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020

	<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 Preschool 3 yrs						
Half Day Preschool 4 yrs						
Full Day Kindergarten	9	9	0	2	2	0
One	12	12	0	2	2	0
Two	9	9	0	2	2	0
Three	9	9	0	1	1	0
Four	3	3	0	1	1	0
Five	1	1	0	1	1	0
Six	1	1	0	1	1	0
Seven	1	1	0	0	0	0
Eight			0	1	1	0
Subtotal	<u>45</u>	<u>45</u>	<u>0</u>	<u>11</u>	<u>11</u>	<u>0</u>
SpEd Elementary	8	8	0	1	1	0
SpEd Middle School			0			0
SpEd High School			0			0
Subtotal	<u>8</u>	<u>8</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>53</u>	<u>53</u>	<u>0</u>	<u>12</u>	<u>12</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

TOWNSHIP OF WARREN SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

SECTION 1

4% Calculation of Excess Surplus (2020-21 expenditures of \$100 million or less)

2020 - 2021 Total General Fund Expenditures	<u>53,935,548.98</u>	
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>8,548,872.64</u>	
Adjusted 2020 - 2021 General Fund Expenditures		<u>45,386,676.34</u>
4% of Adjusted 2020 - 2021 General Fund Expenditures		<u>1,815,467.05</u>
Greater of line above or \$250,000.00		<u>1,815,467.05</u>
Increased by: Allowable Adjustment		<u>838,240.00</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>2,653,707.05</u></u>

SECTION 2

Total General Fund Balances @ 6-30-21	<u>11,906,497.98</u>	
Decreased by:		
Year End Encumbrances	<u>1,492,517.82</u>	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	<u>462,000.00</u>	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Emergency Reserve, Unemployment)	<u>8,022,775.29</u>	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>1,929,204.87</u>

SECTION 3

Restricted Fund Balance-Excess Surplus		<u><u>0.00</u></u>
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Recapitulation of excess surplus as of June 30, 2021

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures		<u>462,000.00</u>
Restricted Excess Surplus		<u>0.00</u>
Total		<u><u>462,000.00</u></u>

Detail of Allowable Adjustments

Additional/Unbudgeted Extraordinary Aid		805,470.00
Additional/Unbudgeted Non-Public School Transportation Aid		<u>32,770.00</u>
		<u><u>838,240.00</u></u>

