

*Auditor's Management Report*

*for the*

***Somerset County Educational  
Services Commission***

*in the*

*County of Somerset  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2022*



**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 Directors  
Somerset County Educational Services Commission  
County of Somerset, 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 Somerset County Educational Services Commission in the County of Somerset for the year ended June 30, 2022 and have issued our report dated February 10, 2023.

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 Somerset County Educational Services Commission in the 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. 962

February 10, 2023

**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, the activities of the Somerset County Educational Services Commission, and the records of the various funds under the auspices of the Somerset County Educational Services Commission.

**ADMINISTRATIVE PRACTICES AND PROCEDURES**

**Insurance**

Insurance coverage was carried in the amounts as detailed on the Insurance Schedule (Exhibit J-20) contained in the District’s Annual Comprehensive Financial Report (ACFR).

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

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Jeff Siipola	Business Administrator/Board Secretary	\$300,000.00
Blanket Bond	All employees	500,000.00

Adequacy of insurance coverage is the responsibility of the Commission.

**P.L.2020,c.44**

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A 18A:16-13.3 (Chapter 44) submitted for the fiscal year of audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

**2022-01 Finding:**

The Commission did not file the health benefits data report as required by N.J.S.A. 18A:16-13.3 (Chapter 44).

**2022-01 Recommendation:**

That the Commission file the health benefits data report as required by N.J.S.A. 18A:16-13.3 (Chapter 44) no later than 60 days after the end of the enrollment period.

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

**ADMINISTRATIVE PRACTICES AND PROCEDURES (CONTINUED)**

**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, certification or supporting documentation.

**Payroll Account**

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.

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.

**2022-02 Finding:**

The bank reconciliation and analysis of the payroll agency account did not properly reflect all of the transactions of the fund. It was noted that employee health benefit withholding contributions were not remitted to the general fund in a timely manner. It was also noted that the May 27, 2022 agency portion of payroll was not transferred to the agency bank account.

**2022-02 Recommendation:**

That monthly bank reconciliations properly reflect all of the transactions of the payroll agency account and that employee health benefit withholding contributions be remitted to the general fund in a timely manner.

**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 proper classification of orders as reserve for encumbrances and accounts payable without exception.

**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 financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and the contractual order system was fully implemented.

**Treasurer's Records**

While the Commission does not have a Treasurer, they have hired the accounting firm of Klatzkin and Company to perform many of the Treasurer's functions. These records were in agreement with the records maintained by the Board Secretary/School Business Administrator.

**Other Special Local Projects**

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

I.D.E.A. Part B  
Non-Public Textbooks  
Non-Public Nursing Services  
Non-Public Technology  
Non-Public Security  
Non-Public Chapter 192/193



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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**Other Special Local Projects (Continued)**

Our audit of the above programs, 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 Commission filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts was used. No exceptions were noted.

**SCHOOL PURCHASING PROGRAMS**

**Contracts and Agreements Requiring Advertisement for Bids**

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, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$32,000.00. 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 \$20,200.00.

**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**

**Public Health 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 (SFA) were required to institute alternate procedures to provide meals to eligible students during the period of school closure. Governor Murphy's emergency declaration ended June 4, 2021; however, the United States Department of Agriculture's federal waiver continued through June 30, 2022. Food Service Agencies operated under this federal waiver.

As a result, School Food Authorities 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 (SFSP) option. SFAs could also choose to participate in the National School Lunch Program utilizing standard counting and claiming practices.

**Independent Auditor's Management Report of Administrative  
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**SCHOOL FOOD SERVICE (CONTINUED)**

**Public Health Emergency (Continued)**

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 financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts and meal count records were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were review for timely deposit without exception.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested. No exceptions were noted.

The Commission participates in the Community Eligibility Provision (CEP) option that allows high poverty districts to offer breakfast and lunch free of charge to all on-roll students without the need to collect and perform eligibility verification procedures related to the traditional school meal eligibility form. The number of free and reduced price meals claimed as served did not exceed the number of on-roll students, times the number of operating days, on a school by school basis. No exceptions were noted.

The food service contract is with the Bridgewater-Raritan School District. Vendor invoices were reviewed and costs verified.

The cash disbursements records reflected expenditures for program related goods and services. The Commission is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Cash receipts and bank records were reviewed for timely deposit. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Exhibits reflecting Child Nutrition Program operations are included in Section G of the ACFR.

**Independent Auditor's Management Report of Administrative  
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**PUPIL 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.

**TESTING FOR LEAD OF ALL 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 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**

Not applicable

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

**RECOMMENDATIONS**

1. Administrative Practices and Procedures

**2022-01 Recommendation:**

That the Commission file the health benefits data report as required by N.J.S.A. 18A:16-13.3 (Chapter 44) no later than 60 days after the end of the enrollment period.

2. Financial Planning, Accounting and Reporting

**2022-02 Recommendation:** That monthly bank reconciliations properly reflect all of the transactions of the payroll agency account and that employee health benefit withholding contributions be remitted to the general fund in a timely manner.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

Not Applicable

6. Application for State School Aid

Not Applicable

7. Pupil Transportation

None

8. Facilities and Capital Assets

Not Applicable

9. Status of Prior Year's Findings/Recommendations

Not Applicable