

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, 2023*

**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, 2023 and have issued our report dated January 9, 2024

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

January 9, 2024

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.

The data submitted did include all health benefit plans offered by the school district project.

The school district project data certification was completed by the chief school administrator. The school district project Chapter 44 data was submitted timely.

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.

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

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.

2023-01 Finding:

The required certification (E-CERT1) of compliance with requirements for income tax compensation of administrators to the NJ Department of Treasury was not filed by the March 15 due date.

2023-01 Recommendation:

The Commission should file the required certification (E-CERT1) of compliance with requirements for income tax compensation of administrators to the NJ Department of Treasury by the March 15 due date.

2023-02 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 for the months of October 2022 through January 2023. It was also noted that bi-weekly payroll journal entries did not include charges for the employer share of state unemployment insurance.

2023-02 Recommendation:

That monthly bank reconciliations properly reflect all of the transactions of the payroll agency account, that employee health benefit withholding contributions be remitted to the general fund in a timely manner and that bi-weekly payroll journal entries be reconciled to the payroll transfer worksheet.

**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.

2023-03 Finding:

The operating account was not accurately reconciled to the general ledger on a monthly basis. Numerous transactions were not properly posted to the client's general ledger and were not identified during the reconciliation process.

2023-03 Recommendation:

That operating bank account be reconciled to the general ledger on a monthly basis.

**Independent Auditor's Management Report of Administrative
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FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

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

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.

**Independent Auditor's Management Report of Administrative
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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 Commission's qualified purchasing agent is \$32,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$20,200.00.

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.

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

SCHOOL FOOD SERVICE

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 reviewed 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.

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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

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations as current year finding 2023-02.

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

RECOMMENDATIONS

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

2023-01 Recommendation:

The Commission should file the required certification (E-CERT1) of compliance with requirements for income tax compensation of administrators to the NJ Department of Treasury by the March 15 due date.

2023-02 Recommendation:

That monthly bank reconciliations properly reflect all of the transactions of the payroll agency account, that employee health benefit withholding contributions be remitted to the general fund in a timely manner and that bi-weekly payroll journal entries be reconciled to the payroll transfer worksheet.

2023-03 Recommendation:

That operating bank account be reconciled to the general ledger on a monthly basis.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

Not Applicable

6. Application for State School Aid

Not Applicable

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

RECOMMENDATIONS (CONTINUED)

7. Pupil Transportation

None

8. Facilities and Capital Assets

Not Applicable

9. Status of Prior Year's Findings/Recommendations

See 2023-02

