

Auditor's Management Report

for the

*Somerset County Vocational and
Technical Schools*

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 Education
Somerset County Vocational and Technical Schools
County of Somerset
Bridgewater, New Jersey 08807

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 Vocational and Technical Schools in the County of Somerset for the year ended June 30, 2023 and have issued our report dated December 4, 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 Vocational and Technical Schools, 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

December 4, 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 Board of Education of the Somerset County Vocational and Technical Schools, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Raelene Sipple	Business Administrator/Board Secretary	250,000.00
All Employees	Faithful Position of Duty- Employee Theft	1,000,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

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 year on 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.

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 Board 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 were approved by the Superintendent, the Board and the Secretary/Business Administrator.

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

Payroll Accounts (Continued)

Salary withholdings were properly remitted to the proper agencies, including health benefits withholdings due to the general fund.

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.

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 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, 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 agreement with the records maintained by the Treasurer of School Monies.

Treasurer's Records

The position of the Treasurer of School Monies was abolished in November 2021. The responsibility was transferred to the Superintendent's office. The Superintendent's cash report was in agreement with the records maintained by the Board Secretary/Business Administrator.

Elementary and Secondary Education Act 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 Title I through Title IV of the Elementary and Secondary Education Act.

Our audit of the federal and state funds on a test a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

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

Other Special Federal and/or State Projects

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

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.

T.P.A.F. Reimbursement

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

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 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. 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 \$32,000.00, 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 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 on 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

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, 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.

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, amended.

**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 audit did reveal however, that the District did make purchases under State contracts and cooperative purchasing agreements.

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 school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the school food authority (SFA) had any child nutrition program reimbursement overclaims or underclaims. No exceptions were noted.

We also 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 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 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.

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

School Food Service (Continued)

Provisions of the FSMC cost reimbursable fixed price or non-competitive emergency procurement contract/addendum were reviewed and audited. The FSMC contract does not include any operating profit guarantee. 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 school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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.

Finding 2023-01: Reference to Exhibit "B-4" showed a deficit of \$2,348.55 in the Food Service Fund at June 30, 2023.

Recommendation 2023-01: That provisions be made for the Food Service Fund deficit.

Student Body Activities

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

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2022 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exceptions. 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 had written procedures for the recording of student enrollment.

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

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2022-2023 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. Based on our review, the district 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.

Facilities and Capital Assets

Our procedures included a review of transfer of local funds from the general fund and awarding of contracts for eligible facilities construction.

Testing for Lead of All Drinking Water in Educational Facilities

The school district 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 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 Prior Year's Audit Findings

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year audit recommendations. . There were no prior year audit findings.

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

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Program

None

School Food Service

Recommendation 2023-01: That provisions be made for the Food Service Fund deficit.

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Facilities and Capital Assets

None

Prior Year's Findings/Recommendations

None

SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOLS
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2022

	2023-24 Application for State School Aid						Sample for Verification						Private School for Disabled - Not Applicable											
	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported on A.S.A. as Private Schools		Sample Verification		Sample Verified		Sample Errors					
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Nine	0		0		0		0		0		0		0		0		0		0		0		0	
Ten	3		3		0		1		1		0		0		0		0		0		0		0	
Eleven	3		3		0		2		2		0		0		0		0		0		0		0	
Twelve	4		4		0		2		2		0		0		0		0		0		0		0	
Subtotal	10	0	10	0	0	0	5	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed. High School	43	83	43	83	0	0	16	24	16	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed. Alt. Voc High School	3		3		0		1		1		0		0		0		0		0		0		0	
Subtotal	46	83	46	83	0	0	17	24	17	24	0	0	0	0	0	0	0	0	0	0	0	0	0	0
County Vocational - Regular	276	251	276	251	0	0	98	88	98	88	0	0	0	0	0	0	0	0	0	0	0	0	0	0
County Vocational FT Post Sec.	276	251	276	251	0	0	98	88	98	88	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	332	334	332	334	0	0	120	112	120	112	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Percentage			0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	N/A

SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOLS
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2022

	Low Income		Sample for Verification		Resident LEP Low Income -Not Applicable		Sample for Verification	
	Reported on A.S.S.A. as Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register
Special Ed. High School	10.5	10.5	8	8				
County Vocational- Regular	56.5	56.5	45	45				
Totals	69	69	53	53				
Percentage Error		0.00%						N/A

	Resident LEP NOT Low Income - Not Applicable		Sample for Verification		Transportation - Not Applicable		Sample for Verification	
	Reported on A.S.S.A. as LEP NOT Low Income	Workpapers as LEP NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on DRTS by DOE	Reported on DRTS by District	Tested	Verified
Special Ed. High School								
County Vocational- Regular								
Totals								
Percentage Error								N/A

SOMERSET COUNTY VOCATIONAL AND TECHNICAL SCHOOL

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

COUNTY VOCATIONAL DISTRICT

SECTION 1

A. 6% Calculation of Excess Surplus (2022-23 expenditures of \$100 million or less)

2022-2023 Total General Fund Expenditures	\$	<u>19,227,318.78</u>	
Increased by:			
Transfer to Proprietary Fund		<u> </u>	
Transfer from Capital Outlay to Capital Projects Fund		<u> </u>	
Transfer from Capital Reserve to Capital Projects Fund	\$	<u> </u>	
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>3,365,594.36</u>	
Assets acquired under installment purchases		<u> </u>	
Adjusted 2022-2023 General Fund Expenditures			\$ <u>15,861,724.42</u>
6% of Adjusted 2022-2023 General Fund Expenditures			\$ <u>951,703.47</u>
Greater of line above or \$250,000.00			\$ <u>951,703.47</u>
Increased by: Allowable Adjustment			\$ <u> </u>
Maximum Unassigned Fund Balance			\$ <u>951,703.47</u>

SECTION 2

Total General Fund Balances @ 6-30-23	\$	<u>7,040,465.36</u>	
Decreased by:			
Year-end Encumbrances	\$	<u>39,183.05</u>	
Legally Restricted-Designated for Subsequent Year's Expenditures	\$	<u> </u>	
Legally Restricted - Excess Surplus-Designated for Subsequent Year's Expenditures	\$	<u>410,500.00</u>	
Other Restricted Fund Balances			
Maintenance Reserve	\$	<u>611,685.83</u>	
Capital Reserve	\$	<u>4,689,393.01</u>	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$	<u> </u>	
Total Unassigned Fund Balance			\$ <u>1,289,703.47</u>

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u>338,000.00</u>
<u>Recapitulation of excess surplus as of June 30, 2023</u>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>410,500.00</u>
Reserved Excess Surplus	\$ <u>338,000.00</u>
Total	\$ <u>748,500.00</u>

