

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
NORTHERN REGION EDUCATIONAL
SERVICES COMMISSION
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2024**

SCHOOL DISTRICT OF NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
COUNTY OF PASSAIC, NEW JERSEY

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Directors
Northern Region Educational Services Commission
County of Passaic, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Northern Region Educational Services Commission in the County of Passaic for the year ended June 30, 2024, and have issued our report thereon dated February 12, 2025.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Northern Region Educational Services Commission's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Steven D. Wielkatz

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Public School Accountant
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February 12, 2025



ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's ACFR.

Official Bonds

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|-------------|------------------------|---------------|
| Ann Kluck | Business Administrator | \$205,000 |

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to each of signature, certification or supporting documentation.

Finding 2024-001: There were several instances where checks were written payable to “Cash”.

Recommendation: That checks are not written payable to “Cash”.

Finding 2024-002: There were instances in which invoices/supporting documentation was not available for review at the time of audit.

Recommendation: The Commission should ensure that all invoices/supporting documentation is available for review at time of audit.

Financial Planning, Accounting and Reporting, (continued)

Examination of Claims, (continued)

Finding 2024-003: There were instances where purchase orders did not include Claimant's certification.

Recommendation: Payments for purchase orders should not be processed without all required signatures.

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/School Business Administrator.

Finding 2024-004: Supporting documentation that all payrolls were approved by the Superintendent and were certified by the President of the Board, Board Secretary, and the Chief School Administrator was not available for review at the time of audit.

Recommendation: That supporting documentation for approved payrolls be maintained and made available for review upon request by N.J.S.A. 18A:19-9.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Finding 2024-005: There were instances where enrolled employees' health benefit deductions were not being calculated correctly.

Recommendation: The Commission should review all information input into the system for health benefit contribution calculation and make necessary adjustments to ensure all enrolled employee health benefit deductions be calculated correctly.

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.

Financial Planning, Accounting and Reporting, (continued)

Position Control Roster, (continued)

Finding 2024-006: An inquiry and subsequent review of the Position Control Roster found incomplete information contained therein. The Position Control Roster lacked salary information, the employee's date of hire and other mandatory details as prescribed by N.J.A.C. 6A:23-6.8.

Recommendation: That the Position Control Roster be updated and maintained with the mandatory detailed information as prescribed by N.J.A.C. 6A:23-6.8.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Finding 2024-007: There were numerous instances in which amounts were improperly recorded as encumbrances/accounts payable as of June 30, 2024.

Recommendation: Purchase orders should be reviewed for proper classification at June 30 as accounts payable of reserve for encumbrances based upon whether the goods have been received or the services rendered.

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, a transaction error rate of 1.38% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding 2024-008: Expenditures in the following categories were not charged to the appropriate line item accounts in accordance with The Uniform Minimum Chart of Accounts for New Jersey Public Schools: Required Maintenance, Custodial Services and Building Rentals, Other Purchased Property Services, and Other Purchased Services.

Recommendation: The Commission should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.S.A.C 6A:23-16.2(f).

Financial Planning, Accounting and Reporting, (continued)

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following item:

Finding 2024-009: Executive County Superintendent approval was not obtained for transfers made as required by N.J.A.C. 61:23A-13.3(e) and N.J.A.C. 61:23A-13.3(h).

Recommendation: Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount. The Commission should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Fixed Assets

The general fixed asset records were not updated for the additions and disposals of general fixed assets made during the year.

Finding 2024-010: The capital asset records were not properly updated for the additions, disposals and classifications of capital assets during the year.

Recommendation: The Commission should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions, disposals and classifications.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. An exception was noted.

Finding 2024-011: A revised State Share Payroll report for FICA was not made available for review at time of audit.

Recommendation: That supporting documentation for approved payrolls be maintained and made available for review upon request.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term ‘competitive contracting’, which is defined as “the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received.” Also, subsection (aa) defines the term ‘concession’ to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a “Qualified Purchasing Agent” (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. “In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted.”

Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$22,400.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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.

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work, goods or services in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

Finding 2024-012: Contracts are not being approved by the Board in accordance with Local Public Contracts Law.

Recommendation: More care should be taken to ensure contracts are being approved by the Board in accordance with Local Public Contracts Law.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2023 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 on the A.S.S.A. was compared to the district workpapers without exception. The information included as part of the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollment.

The District maintained workpapers on the prescribed state forms or their equivalents.

The District has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

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. Exceptions were noted in our review of transportation related purchases of goods and services.

Finding 2024-013: There were various instances where the transportation contract was not submitted to the Executive County Superintendent for approval within 30 days after the award of the contract or by September 1 of the school year in which transportation is to be provided as required by N.J.A.C. 6A:27-9.

Recommendation: More care should be taken to ensure transportation contracts and transportation contract renewals are submitted to the Executive County Superintendent for approval within 30 days after the award of the contract or by September 1 of the school year in which transportation is to be provided by N.J.A.C. 6A:27-9.

Finding 2024-014: There were various instances where the PT-1 Form was not made available for review at time of audit.

Recommendation: More care should be taken to ensure the PT-1 Form is maintained with the transportation contract on file.

Continuing Disclosure Agreements

The school district complied with continuing disclosure agreements made in relation to prior year(s) bond issuances.

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 did submit 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 Findings

In accordance with Governmental Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Steven D. Wielkotz

Steven D. Wielkotz, C.P.A.
Licensed Public School Accountant
No. 816

Wielkotz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

**NORTHERN REGION EDUCATIONAL SERVICES COMMISSION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Recommendations:

1. Administrative Practices and Reporting

None

2. Financial Planning, Accounting and Reporting

That checks are not written payable to "Cash."

The Commission should ensure that all invoices/supporting documentation is available for review at time of audit.

Payments for purchase orders should not be processed without all required signatures.

That supporting documentation for approved payrolls be maintained and made available for review upon request as required by N.J.S.A. 18A:19-9.

The Commission should review all information input into the system for health benefit contribution calculations and make necessary adjustments to ensure all enrolled employee health benefit deductions be calculated correctly.

That the Position Control Roster be updated and maintained with the mandatory detailed information as prescribed by N.J.A.C. 6A:23A-6.8.

Purchase orders should be reviewed for proper classification at June 30 as accounts payable of reserve for encumbrances based upon whether the goods have been received or the services rendered.

The Commission should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-16.2(f)

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount. The Commission should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

The Commission should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions, disposals and classifications.

That supporting documentation for approved payrolls be maintained and made available for review upon request.

Recommendations (continued):

3. School Purchasing Programs

More care should be taken to ensure contracts are being approved by the Board in accordance with Local Public Contracts Law.

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

More care should be taken to ensure transportation contracts and transportation contract renewals are submitted to the Executive County Superintendent for approval within 30 days after the award of the contract or by September 1 of the school year in which transportation is to be provided as required by N.J.A.C. 6A:27-9.

More care should be taken to ensure the PT-1 Form is maintained with the transportation contract on file.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was not taken on all prior year findings, except those noted with a “*”.