

*Auditor's Management Report*

*for the*

*Union County Educational  
Services Commission*

*in the*

*County of Union  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2024*



**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS – FINANCIAL AND COMPLIANCE**

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Tax ID Number 22-6002313





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**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Directors  
Union County Educational Services Commission  
County of Union, 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 Union County Educational Services Commission in the County of Union for the year ended June 30, 2024, and have issued our report dated April 18, 2025.

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 Union County Educational Services Commission in the County of Union, 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.

  
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CERTIFIED PUBLIC ACCOUNTANTS

  
\_\_\_\_\_  
PUBLIC SCHOOL ACCOUNTANT NO. 948

April 18, 2025

## **AUDITOR'S MANAGEMENT REPORT ON 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 Union County Educational Services Commission, and the records of the various funds under the auspices of the Union County Educational Services Commission.

### **Administrative Practices and Procedures**

#### **Insurance**

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

#### **Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Eric Larson	Business Administrator/Board Secretary	\$320,000.00
All Employees	Employee Dishonesty	400,000.00

Adequacy of insurance coverage is the responsibility of the Union County Educational Services 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 commission. The commission data certification was completed by the chief school administrator and 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.

#### **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.

## **AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE**

### **Payroll Accounts**

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 were approved by the Superintendent/Business Administrator and were certified by the President of the Commission.

Salary withholdings were promptly remitted to the proper agencies including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board with a warrant made to his order for the full amount of each payroll.

**2024-001 Finding:** An analysis of the balance on deposit in the Payroll Agency bank account was not properly maintained.

**2024-001 Recommendation:** That the analysis of the balance on deposit in the Payroll Agency bank account be properly maintained.

**2024-002 Finding:** We noted the Net Payroll bank account was overdrawn on several occasions.

**2024-002 Recommendation:** That the Net payroll bank account be fully funded.

**2024-003 Finding:** We noted that two of the quarterly IRS Form 941s provided for audit were unsigned. In addition one IRS Form 941 wasn't was not available for audit.

**2024-003 Recommendation:** That the all IRS form 941s be signed and available for audit.

### **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, 2024 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

## **AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE**

### **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-16.2(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, three errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **Board Secretary's Records**

The financial records and books of account of the Board Secretary were not maintained in satisfactory condition as indicated by the following:

**2024-004 Finding:** Bank reconciliations were not performed on a timely basis which delayed the submission of the monthly Treasurer's reports.

**2024-004 Recommendation:** That the District reconcile bank accounts on a timely basis.

**2024-005 Finding:** The general ledger was not maintained accurately on a timely basis.

**2024-005 Recommendation:** That the District maintain an accurate general ledger on a timely basis.

**2024-006 Finding:** We noted the District failed to issues several vendors IRS form 1099.

**2024-006 Recommendation:** That the District issue IRS from 1099's to all eligible vendors.

**2024-007 Finding:** The required certification (E-CERT) of compliance with requirements for income tax on compensation of administrators to the New Jersey Department of Treasury was not filed by the March 15, 2024 due date.

**2024-007 Recommendation:** The District file the required certification (E-CERT) by the required due date.



**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS – FINANCIAL AND COMPLIANCE**

**Other Special Federal and/or State Projects**

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

- Basic Skills
- Bloodborne Pathogens
- Child Study Team
- E.D. Program
- Non-Public Textbooks
- Non-Public Technology Initiative
- Non-Public Nursing Services
- Non-Public Chapter 192/193
- IASA Title I Neglected, At Risk Children
- ESEA Title I P.L. 103-382
- Day Treatment Program (DYFS)
- IDEA Part B Basic Flow Through

The Commission'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 Commission employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

## **AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE**

### **T.P.A.F. Reimbursement to the State for Federal Salary Expenditures**

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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

**2024-008 Finding:** Our audit noted the reimbursement and supporting documentation prescribed by the Division of Pensions 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 not remitted to the State prior to the end of the 90 days after the close of the fiscal year.

**2024-008 Recommendation:** That the District remit reimbursement and all supporting documentation to the Department of Education 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 prior to the 90 days after the close of the fiscal year.

### **School Purchasing Program**

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 Commission 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 Commission may, by resolution, approve by the majority of the Commission 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 Commission 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 \$29,000.00. 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 \$22,400.00.

The Commission 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.

## **AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL AND COMPLIANCE**

### **School Purchasing Program (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.

**2024-009 Finding:** We noted that bids for transportation services were not opened publicly in accordance with Board policy.

**2024-009 Recommendation:** That all bids be opened publicly in accordance with Board policy.

### **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 SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The statement of revenues, expenses and charges in fund net position (ACFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

We 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 and indirect costs. No exceptions were noted.

We also 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 verified the FSMC refunded or credited the applicable amounts to the SFA.

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS – FINANCIAL AND COMPLIANCE**

**Recommendations**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

**2024-001 Recommendation:** That the analysis of the balance on deposit in the Payroll Agency bank account be properly maintained.

**2024-002 Recommendation:** That the Net Payroll bank account be fully funded.

**2024-003 Recommendation:** That the all IRS form 941s be signed and available for audit.

**2024-004 Recommendation:** That the District reconcile bank accounts on a timely basis.

**2024-005 Recommendation:** That the District maintain an accurate general ledger on a timely basis.

**2024-006 Recommendation:** That the District issue IRS from 1099's to all eligible vendors.

**2024-007 Recommendation:** The District file the required certification (E-CERT) by the required due date.

**2024-008 Recommendation:** That the District remit reimbursement and all supporting documentation to the Department of Education 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 prior to the 90 days after the close of the fiscal year.

**School Purchasing Programs**

**2024-009 Recommendation:** That all bids be opened by the School Business Administrator in accordance with Board policy.

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

Not Applicable

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS – FINANCIAL AND COMPLIANCE**

**Recommendations (Continued)**

**Transportation**

None

**Capital Assets**

None

**Miscellaneous**

None



