

Auditor's Management Report

for the

*Township of Union
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2023*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS-FINANCIAL AND COMPLIANCE**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Union School District
County of Union
Union, New Jersey 07083

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 Township of Union School District in the County of Union for the year ended June 30, 2023, and have issued our report dated January 22, 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 Township of Union School District, 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.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 962

January 22, 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 and Treasurer of School Monies, the activities of the Township of Union Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance (N.J.S.A. 18A:17-26, 18A: 17-32)

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

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Theodore Georgiou	Treasurer of School Monies	\$530,000
Yolanda Koon	Board Secretary/School Business Administrator	\$470,000
Blanket Bond	All Employees	\$1,000,000

There is a Public Employees' Faithful Performance Blanket Position Bond with American Zurich Insurance Company covering all other employees with coverage of \$500,000.00.

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

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs differed from the estimated costs. The Board made a proper adjustment to the billings to sending Districts for the difference in per pupil costs in accordance with N.J.A.C. 6A-23A-17.1(f)3.

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures or supporting documentation.

Payroll Account

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 and were certified by the President of the Board and the Board Secretary/Business Administrator.

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

Payrolls were delivered to the treasurer of school moneys with a warrant made to her order for the full amount of each payroll.

Finding 2023-001: The balance on deposit in the Payroll Agency Account was not reconciled accurately on monthly basis.

Recommendation 2023-001: The District should keep an accurate analysis of the reconciled balance on deposit in the Payroll Agency Account.

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, Liability (Current) for 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 reserve 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.

Independent Auditor's Management Report of 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: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 records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer of School Monies.

Treasurer's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Reconciler of School Monies.

Elementary and Secondary Education Act (E.S.E.A.) as Amended by Every Student Succeeds Act (ESSA)

The E.S.S.A./NCLB financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to projects under Title I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and State Projects

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

**Independent Auditor's Management Report of 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 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. (pending before the Legislature as section 15 of this bill) 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 for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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.

**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 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 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$44,000.00 (with a Qualified Purchasing Agent), \$32,000.00 (without a Qualified Purchasing Agent), respectively. 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.

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.

FOOD SERVICE FUND

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.

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

FOOD SERVICE FUND (CONTINUED)

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.

In addition, 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.

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 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 the FSMC refunded or credited the applicable amounts to the SFA. The loan is still being reviewed for forgiveness at this time.

STUDENT BODY ACTIVITIES

The following exceptions were noted during our review of the student activity funds.

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, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information that was included on the workpapers was verified without exception. 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 has adequate procedures for the recording of student enrollment data.

**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 2022-23 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no exceptions. 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 review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. The following exceptions were noted.

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

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 the prior year audit recommendations. Corrective action had been taken on all prior year findings.

UNION TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2022

	2022-23 Application for State School Aid				Sample for Verification				Private School for Handicapped			
	Reported on A.S.S.A. as on Roll		Reported on Workpapers on Roll		Sample Selected from Workpapers		Verified per Registers on Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Pre-School	115		115		5		5					
Full Day Pre-School	261		261		11		11					
Full Day Kindergarten	454		454		19		19					
One	462		462		19		19					
Two	448		448		19		19					
Three	451		451		19		19					
Four	486		486		20		20					
Five	446		446		19		19					
Six	464		464		19		19					
Seven	484		484		20		20					
Eight	492		492		21		21					
Nine	471		471		20		20					
Ten	506	5	506	5	20		20					
Eleven	459	17	459	17	19		19					
Twelve	440	3	440	3	18		18					
Subtotal	6,439	25	6,439	25	268		268					
SpEd Elementary (PK-5)	443		443		18		18		45		34	
SpEd Middle School (6-8)	253		253		11		11		13		11	
SpEd High School	338	21	338	21	14		14		40		29	
Subtotal	1034	21	1034	21	43		43		98		74	
Totals	7,473	46	7,473	46	311		311		98		74	

Percentage

**UNION TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022**

	Resident Low Income			Sample for Verification			Resident ELL Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as ELL Low Income	Reported on Workpapers as ELL Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten	178	178		15	15		24	24		14	14	
One	198	198		17	17		24	24		14	14	
Two	212	212		18	18		32	32		18	18	
Three	242	242		20	20		25	25		14	14	
Four	235	235		20	20		14	14		8	8	
Five	238	238		20	20		21	21		12	12	
Six	248	248		21	21		14	14		8	8	
Seven	256	256		22	22		12	12		7	7	
Eight	246	246		21	21		7	7		4	4	
Nine	235	235		20	20		13	13		7	7	
Ten	247	247		21	21		14	14		8	8	
Eleven	239	239		20	20		12	12		7	7	
Twelve	204	204		17	17		7	7		4	4	
Subtotal	2978	2978		252	252		219	219		125	125	
SpEd Elementary	225	225		19	19		13	13		7	7	
SpEd Middle School	136	136		11	11		1	1		1	1	
SpEd High School	220	220		18	18		5	5		3	3	
Subtotal	580.5	581		48	48		19	19		11	11	
Totals	3558.5	3558.5		300	300		238	238		136	136	

Percentage Error

	Transportation		
	Reported on DRTS by DOE	Reported on DRTS by District	Errors
Reg Public Schools, col.1	1169	1169	
Transported - Non-Public, col.2			155
Nonpublic - ALL, col.3	378	378	
Reg. - SpEd, col.4	195	195	
Special Ed Spec, col.6	191	191	
Totals	1933	1933	270

Percentage Error

UNION TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022

	Resident ELL NOT Low Income			Sample for Verification		Sample Errors
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	
Half Day Pre-School						
Full Day Pre-School						
Full Day Kindergarten	18	18		13	13	
One	14	14		10	10	
Two	15	15		10	10	
Three	14	14		10	10	
Four	10	10		7	7	
Five	5	5		3	3	
Six						
Seven	4	4		3	3	
Eight	8	8		5	5	
Nine	5	5		3	3	
Ten	17	17		12	12	
Eleven	15	15		11	11	
Twelve	8	8		5	5	
Subtotal	<u>133</u>	<u>133</u>		<u>92</u>	<u>92</u>	
SpEd Elementary	8	8		5	5	
SpEd Middle School	2	2		1	1	
SpEd High School	1	1		1	1	
Subtotal	<u>11</u>	<u>11</u>		<u>7</u>	<u>7</u>	
Totals	<u>144</u>	<u>144</u>		<u>99</u>	<u>99</u>	
Percentage Error						

UNION SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2022 - 2023 Total General Fund Expenditures per the ACFR, Ex. C-1	\$ 177,565,585.00	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	_____	
Transfer from Capital Reserve to Capital Projects Fund	_____	
Transfer from General Fund to SRF for PreK	425,251.00	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 30,804,761.22	
Assets acquired under Installment Purchases	1,095,708.11	
Adjusted 2022 - 2023 General Fund Expenditures		\$ 146,090,366.67
2% of Adjusted 2022 - 2023 General Fund Expenditures		\$ 2,921,807.33
Greater of line above or \$250,000.00		\$ 2,921,807.33
Increased by: Allowable Adjustment		\$ 3,332,194.00
Maximum Unreserved/Undesignated Fund Balance		\$ 6,254,001.33

SECTION 2

Total General Fund - Fund Balances @ 06/30/2023	\$ 15,477,358.29	
Decreased by:		
Year-end Encumbrances	\$ 771,523.98	
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ 3,022,981.75	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ 931,022.00	
Other Restricted Fund Balances:		
Emergency Reserve	\$ 725,000.00	
Maintenance Reserve	\$ 950,000.00	
Capital Reserve	\$ 1,374,340.21	
Reserve for Unemployment Claims	\$ 1,400,522.56	
Assigned - FFCRA/SEMI - Designated Subs. Yrs. Exp	\$ 45,996.25	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ _____	
Total Unassigned Fund Balance		\$ 6,255,971.54

SECTION 3

Restricted Fund Balance-Excess Surplus \$ 1,970.21

Recapitulation of excess surplus as of June 30, 2023

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 931,022.00

Restricted Excess Surplus \$ 1,970.21

Total Excess Surplus \$ 932,992.21

Detail of Allowable Adjustments

Extraordinary Aid \$ 3,214,258.00

Additional Non-Public School Transportation Aid 117,936.00

\$ 3,332,194.00

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

RECOMMENDATIONS

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

Recommendation 2023-001- The District should keep an accurate analysis of the balance on deposit in the Payroll Agency Account.

School Purchasing Program

None

School Food Service

None

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Facilities and Capital Assets

None

