

**INDEPENDENT AUDITORS' MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

JUNE 30, 2015

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of Board of Trustees
Barack Obama Green Charter High School
County of Union, 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 Board of Trustees of the Barack Obama Green Charter High School (the Charter High School) in the County of Essex, State of New Jersey for the period from inception through June 30, 2015, and have issued our report thereon dated November 13, 2015.

As part of our audit, we performed procedures required by the State of 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 Charter High School Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads 'Leonora Galleros'.

Leonora Galleros, CPA
Licensed Public School Accountant
No. No. 20CS002239400

November 13, 2015
Freehold, New Jersey

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Trustees of Barack Obama Green Charter High School (the "Charter High School"), and the records of the various funds under the auspices of the Charter High School.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter High School's CAFR.

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

School Leaders Errors and Omissions Liability Insurance Coverage were carried for all members of the board of Trustees with coverage for each wrongful act of \$100,000. There is an Employee's Faithful Performance Blanket Position Bond Policy covering the Board Secretary and Treasurer for \$150,000 each and \$25,000 for all other employees.

Tuition Charges

A review of the financial statements indicated that the Charter High School charged no tuition for any student attending the Charter High School.

Financial Planning, Accounting, and Reporting

Examination of Claims

An examination of claims paid during the period under review we noted that claims were approved by designated individuals, certified and supporting documents were maintained. No exceptions were noted.

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 School Leader and were certified by the President of the Board and the School Business Administrator. In addition, salary withholdings were remitted to the proper agencies.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2015, for proper classification of purchase orders as Reserved for Encumbrances and Accounts Payable and no exceptions were noted.

Travel Policy

The Charter School has an approved board travel policy as required by *N.J.A.C. 6A:23A; A-6.13* and *N.J.S.A 18A:11-12*.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items. We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23-8.2*. As a result of the procedures performed, a minimal transaction error rate of .03% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification. No exceptions were noted.

Finding No. 2015-001*

During the audit we noted that total instructional expenditures is less than 60% of the Charter High School total expenditures for fiscal year 2014-2015.

Recommendation

We recommend that the Charter High School increased its instructional expenditures to achieve the required ratio of instructional expenditures ratio at 60% of total expenditures.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Business Office and no exceptions were noted.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting – Continued

Treasurer's Records

Our review of treasurer's records disclosed that cash accounts were prepared and reconciled monthly which are submitted to the Board of Trustees each month. However, it was noted that average total deposits may at times exceed the maximum FDIC coverage of \$250,000 per depositor.

Elementary and Secondary Education Act (ESEA)/ Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The ESEA/NCLB 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 Titles I and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter High School's special projects were approved as listed on Schedules A and B 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.

Teachers' Pension Annuity Fund (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter High School employees who are members of the Teacher's Pension Annuity Fund. No exception was noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 (a) sets forth the bid threshold and requires award by board resolution. The statute was amended in 1999 to provide for an even higher threshold when there is a “Qualified Purchasing Agent” in the charter school 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 was raised to \$26,000, effective July 1, 2010. For charter schools with a qualified purchasing agent, the bid threshold was raised to \$36,000.

“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 \$26,000 the contract may be awarded by a purchasing agent when so authorized by resolution of the board without public advertising for bids and bidding therefore, except that the board may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.”

N.J.S.A. 18A:18A-37 describes the awarding of contracts below the bid threshold. Subsection (a) describes the requirements for awarding contracts below the bid threshold.

“For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (a) of N.J.S.A. paragraph (3) of that subsection concerning work by employees of the board, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable.”

Subsection (c) describes the requirements for small purchases.

“If authorized by the board resolution, all contracts that are in the aggregate less than 15 percent of the bid threshold may be awarded by the purchasing agent without soliciting competitive quotations.”

The charter school board of trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arise as to whether any contract or agreement might result in violation of the statute, the School Legal Counsel’s opinion should be sought before a commitment is made.

Based on the results of our tests, we did note any individual payments, contracts, or agreements made for the performance of any work or goods or services in excess of statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

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

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Food Service

The financial transactions and statistical records of the Charter High School food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. The number of meals claimed for reimbursements was verified against sales and meal count records. Reimbursement vouchers were filed electronically on a timely basis.

Cash receipts and bank records were reviewed for timely deposit.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the Charter High School food service. Vendor invoices were reviewed and costs verified with no exceptions noted.

Timesheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees authorized by the Board. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the sections entitled Enterprise Funds, Section G.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review. No exception noted.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Food Service - continued

Net cash resources did not exceed three months average expenditures as determined below:

**NET CASH RESOURCE SCHEDULE
Proprietary Funds - Food Service
FYE 2015**

			Food Service B - 4/5	
<u>Net Cash Resources:</u>				
CAFR	*	Current Assets		
B-4		Cash and cash equivalents	\$ 4,279	
B-4		Due from Funds	-	
B-4		Accounts Receivable	22,045	
CAFR		Current Liabilities		
B-4		Less Due to General Fund	(13,027)	
B-4		Less Accounts Payable	-	
		Net Cash Resources	<u>\$ 13,297</u>	(A)
<u>Net Adj. Total Operating Expense:</u>				
B-5		Tot. Operating Exp.	\$ 87,353	
B-5		Less Depreciation	-	
		Adj. Tot. Oper. Exp.	<u>\$ 87,353</u>	(B)
<u>Average Monthly Operating Expense:</u>				
	B / 10		<u>\$ 8,735</u>	(C)
<u>Three times monthly Average:</u>				
	3 X C		<u>\$ 26,205</u>	(D)

Total in Box A	\$ 13,297
Less: Total in Box D	<u>(26,205)</u>
NET	<u>(12,908)</u>
From above:	
D is greater than A, cash does not exceed 3 X average monthly operating expenses.	

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Enrollment Count and Submission to the Department

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low income students. We also performed a review of the Charter High School's procedures related to its completion.

Student Body Activities

We reviewed the student activities and the related records. We noted that a separate bank account was established to account for student activities. No exception noted.

Miscellaneous

In our review of personnel files and time records, the following findings were noted:

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified with an asterisk as repeat findings in this year's recommendation.

Acknowledgment

We received the complete cooperation of all the officials of the Charter High School and we greatly appreciate the courtesies extended to the members of our audit team.

Respectfully submitted,



Leonora Galleros, CPA
Licensed Public School Accountant
No. No. 20CS002239400

November 13, 2015
Freehold, New Jersey

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014**

Submission to														
Grades	CHE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Nineth	66	67	66	-	183	-	11	11	-	183	-	50	50	-
Tenth	77	78	77	-	183	-	9	9	-	183	-	51	51	-
Eleventh	49	50	49	-	183	1	4	4	-	183	-	37	37	-
Twelveth	35	38	35	-	183	-	4	4	-	183	-	30	30	-
Total	227	233	227	-	732	1	28	28	-	732	-	168	168	-
Percentage				0.0%		0.4%			0.0%		0.0%			0.0%

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2015**

Submission to [REDACTED]														
Grades	DOE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Nineth	66	67	66	-	183	-	11	11	-	183	-	50	50	-
Tenth	77	78	77	-	183	-	9	9	-	183	-	51	51	-
Eleventh	49	50	49	-	183	1	4	4	-	183	-	37	37	-
Twelveth	35	38	35	-	183	-	4	4	-	183	-	30	30	-
Total	227	233	227	-	732	1	28	28	-	732	-	168	168	-
Percentage				0.0%		0.4%			0.0%		0.0%			0.0%

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
(COUNTY OF UNION, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2015

SECTION 1

A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>3,582,293</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>239,171</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2013-14 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>3,343,122</u>	(B3)
2% of Adjusted 2013-14 General Fund Expenditures [(B3) times .02]	\$ <u>66,862</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>250,000</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,142,309</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ _____	(C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____	(C3)
Other Restricted Fund Balances ****	\$ _____	(C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year's Expenditures	\$ _____	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>1,142,309</u>	(U1)
Excess Surplus at June 30, 2015	\$ <u>892,309</u>	

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ _____	(E)
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Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____	(C3)
Reserved Excess Surplus ***[(E)]	\$ _____	(E)
Total Excess Surplus [(C3) + (E)]	\$ _____	(D)