

**BELOVED COMMUNITY
CHARTER SCHOOL
AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**XI. AUDITORS MANAGEMENT REPORT ON ADMINISTRATION FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REPORT OF INDEPENDENT AUDITORS

The Honorable Chairman and
Members of the Board of Trustees
Beloved Community Charter School
County of Hudson
Jersey City, New Jersey

I have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Beloved Community Charter School, in the County of Hudson for the fiscal year ended June 30, 2015 and have issued my report thereon dated November 20, 2015.

As part of my audit, I 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 Beloved Community Charter School Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public records and its distribution is not limited.



Scott J. Loeffler
Licensed Public School Accountant No. 870

November 20, 2015

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

GENERAL COMMENTS

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 Trustee's, and the records of the various funds under the auspices of the Board of Trustee's.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

NJ.S.A. 18A: 18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

Bid thresholds in accordance with NJ.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under NJ.S.A. 18A:39-3 is currently \$18,300.

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 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.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of NJ.S.A. 18A: 18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per NJ.S.A. 18A:18A-5. My review of the contracts and agreements found that the school was in compliance as to bid advertisements and awards.

Insurance

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

Examination and Payment of Claims

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

Payroll and Payroll Agency Accounts

The net salaries of all employees of the School were deposited in the Payroll Account. Employees payroll deductions and employees share of fringe benefits were deposited in the Payroll Agency Account.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premiums withholding due to the general fund.

All payrolls were approved by the President of the Board.

Payrolls were delivered to the Secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Finding

It was noted that the Summer Pay Reserve bank account appears to be underfunded at June 30, 2015. The actual cash balance at June 30, 2015 was \$30,618 with the liability being approximately \$178,000.

Recommendation

The school should review the cash balance maintained in the Summer Pay reserve account to ascertain the appropriate balance. The account must be maintained on an imprest basis, only transferring in the net summer payroll each pay period into the cash account.

Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015 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, 2015. No exceptions were noted.

T.P.A.F. Reimbursement

My audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the Beloved Community Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Food Service

Not applicable. The food service fund is managed and prepared by the Jersey City Board of Education.

Board Secretary's Records

The records of the school were maintained in satisfactory condition.

Treasurer's Records

The records of the school were maintained in satisfactory condition.

Enrollment Counts and Submissions to the Department

My audit procedures included a test for information reported on October 15, 2014, and the last day of school for on-roll, special education, bilingual and low-income. No exceptions were noted.

The Charter School maintained work papers on the prescribed state forms or their equivalent. In addition, the Charter School maintained written procedures that appear to be adequate for the recording of student enrollment data.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001 and other special Federal and/or State projects

The E.S.E.A./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 VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no following areas of compliance and/or questionable costs.

Other Special Federal and/or State Projects

The school's other Special and/or State Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

My 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.

The study of compliance for the special projects indicated no areas of noncompliance.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the *N.J.A.C. 6A:23-2.2(f)* and line item details as described in the Budget Summary Key as part of my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

(Deficit) General Fund Balance(R)

Finding

The Charter School has a (Deficit) General Fund Balance of (\$428,923) as of June 30, 2015 as reported in the school's financial statements.

Recommendation

The Charter School in consultation with the Board of Trustees should take immediate steps to reduce both budgeted expenditures and/or raise additional revenues in order to eliminate the (deficit) fund balance. We have been advised by the Charter School that it has taken steps which have achieved very significant cost savings and revenue increases in this current SY16 in order to bring the Charter School into compliance. These steps are discussed in further detail in the "Financial Information at Fiscal Year End" and the "Subsequent Events and Actions to Close the Carried Forward SY15 General Fund Deficit" sections of the CAFR Management Discussion and Analysis (MDA).

Follow-up on Prior Year Findings

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the item marked with (R) which is a repeat comment.

ACKNOWLEDGEMENT

I received the complete cooperation of all the officials of the school and I greatly appreciate the courtesies extended to me.

Respectfully submitted,

A handwritten signature in black ink that reads "Scott J. Loeffler" with a stylized flourish at the end.

Scott J. Loeffler
Licensed Public School Accountant No. 870

**BELOVED COMMUNITY CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND OVER/UNDER CLAIM
June 30, 2015**

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
NATIONAL SCHOOL LUNCH (REGULAR RATE)	FREE	N/A	N/A	N/A			0
	REDUCED	N/A	N/A	N/A			0
	PAID	N/A	N/A	N/A			0
TOTALS		0	0	0	0		0

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
SCHOOL BREAKFAST	FREE	N/A	N/A	N/A			0
	REDUCED	N/A	N/A	N/A			0
	PAID	N/A	N/A	N/A			0
TOTALS		0	0	0	0		0

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
AFTER SCHOOL SNACKS	FREE	N/A	N/A	N/A			0
	REDUCED	N/A	N/A	N/A			0
	PAID	N/A	N/A	N/A			0
TOTALS		0	0	0	0		0

**BELOVED COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014**

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE

GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMEN- TATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMEN- TATION	ERR
KINDERGARTEN	124	62	62	0	62	0	0	0	0	0	0	N/A	N/A	0
ONE	122	61	61	0	61	0	2	2	0	2	0	N/A	N/A	0
TWO	123	62	62	0	62	0	2	2	0	2	0	N/A	N/A	0
THREE	114	57	57	0	57	0	3	3	0	3	0	N/A	N/A	0
FOUR	108	54	54	0	54	0	3	3	0	3	0	N/A	N/A	0
TOTAL	591	296	296	0	296	0	10	10	0	10	0			0
PERCENTAGE				0.00%		0.00%			0.00%		0.00%			0.00%

**BELOVED COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL**

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE														
GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1)		ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMEN- TATION	ERR
							SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMEN- TATION						
KINDERGARTEN	124	62	62	0	62	0	0	0	0	0	0	N/A	N/A	0
ONE	122	61	61	0	61	0	1	1	0	1	0	N/A	N/A	0
TWO	123	61	61	0	61	0	1	1	0	1	0	N/A	N/A	0
THREE	114	57	57	0	57	0	3	3	0	3	0	N/A	N/A	0
FOUR	108	54	54	0	54	0	3	3	0	3	0	N/A	N/A	0
TOTAL	591	295	295	0	295	0	8	8	0	8	0			0
PERCENTAGE				0.00%		0.00%			0.00%		0.00%			0.00%

BELOVED COMMUNITY CHARTER SCHOOL
NET CASH RESOURCE SCHEDULE
Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
FYE June 30, 2015

NOT APPLICABLE