

BOARD OF TRUSTEE'S
KNOWLEDGE A TO Z ACADEMY CHARTER SCHOOL, INC.
COUNTY OF CAMDEN
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS-
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors Report	1
Scope of Audit	2
Administrative Practices and Procedures:	
Insurance	2
Official's Bonds	2
Tuition Charges	2
District Internal control Policies	2
Financial Planning, Accounting and Reporting:	
Examination of Claims	2
Payroll Account and Position Control Roster	3
Certification of Income Tax Compliance	3
Classification of Expenditures	
➤ General Classifications	3
➤ Administrative Classifications	3
Reserve for Encumbrances and Accounts Payable	3
Board Secretary's Reports	3 - 4
Treasurer's/Designee Records	4
Elementary and Secondary Education Act/Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001	4
Other Special Federal and/or State Projects	5
T.P.A.F. Reimbursement	5
TPAF Reimbursement to the State for Federal Salary Expenditures	5
School Purchasing Programs:	
Contracts and Agreements Requiring Advertisement for Bids	5 - 7
School Food Service	7 - 8
Student Body Activities	8
Enrollment and Submission to the Department	8
Facilities and Capital Assets	8
Unemployment Trust Fund	9
Follow-up on Prior Year Findings	9
Acknowledgment	9
Schedule of Audited Enrollments	10 - 11
Schedule of Meal Count Activity	N/A

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 27, 2015

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Trustee's
Knowledge A to Z Academy Charter School, Inc.
County of Camden, New Jersey

We have audited, in accordance with generally accepted audit standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of Knowledge A to Z Academy Charter School, Inc. in the County of Camden for the year ended June 30, 2015, and have issued our report thereon dated November 27, 2015.

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 Knowledge A to Z Academy Charter School, Inc. Board of Trustee's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer/Designee of School Monies, the activities of the Board of Trustees, the records of the Student Activity Fund, Food Service Fund, Special Revenue Fund and other funds under the auspices of the Board of Trustees.

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 **CAFR**

Official's Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Richelle H. Baughn	Business Administrator/Board Secretary	\$ 50,000
Jeannie Scott	Treasurer of School Monies	250,000

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the charter school, in compliance with state statutes.

District Internal Control Policies

District board of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the district's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13.

Internal Control Policies were generally found in accordance with NJAC 6A:23A-6.5 through 6.13, with the exception of Segregation of Duties (NJAC 6A:23A-6.5).

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, certification or supporting documentation.

Financial Planning, Accounting and Reporting

Payroll Account and Position Control Roster

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

Salary withholdings were generally remitted to the proper agencies on a timely basis, as reflected in the payroll agency subsidiary ledger.

Certification of Income Tax Compliance

The District appears to be in compliance with the certification (E-CERT1) requirements for income tax on compensation of administrators (Superintendent and Business Administrator) to the N.J. Department of Treasury that is to be filed by the March 15 due date.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with **N.J.A.C. 6A:23-2.2(f)** and line item details as described in the Budget Summary Key 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:23-8.2. As a result of the procedures performed and condition of the records, there was no transaction error and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

B. Administrative Classification Findings None

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015 for proper classification of orders as reserve for encumbrances or accounts payable.

Financial Planning, Accounting and Reporting

Board Secretary's Records

The financial records, books of accounts maintained by the Secretary were in satisfactory condition.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Financial Planning, Accounting and Reporting

Board Secretary's Records (Continued)

Monthly financial certificates of the Board Secretary and Board of Trustee's for positive line item account status certifications (**N.J.A.C. 6:2-2.13**) were not available. Budgetary line item account transfers were approved monthly to cover any anticipated deficits.

Purchase orders were generally charged to the appropriate line item accounts in accordance with the State prescribed **Uniform Minimum Chart of Accounts (2R2) for New Jersey Public Charter School.**

Treasurer's / Designee Records

The Treasurer/Designee prepared cash reconciliation's for the general operating account, payroll account and payroll agency account per **N.J.S.A. 18A:17-36**.

The Treasurer's records were in agreement with the records of the Board Secretary and were noted in the monthly minutes available on file.

All cash receipts appeared promptly deposited.

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

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 Title I, II, IV and V of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of E.S.E.A. 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 study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs, with the exception of the following:

Finding 2015-1

The General Ledger in the Special Revenue Fund was not sufficiently analyzed in order to adjust the accounts receivable for the Title I program.

Recommendation

As part of the year end close out procedures, an additional review of the Title I Federal award receivable should be conducted, in order to provide complete and accurate balances for reporting in the District's financial statements.

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects

The charter school's Special Projects were approved as listed on Schedule A and Schedule B located in the **CAFR**.

Our audit of 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 special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity Fund. As of the year-end, June 30, 2013, the N.J. Division of Pensions has not yet certified the District's TPAF employees and certification was completed during the 2013-14 school-year.

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 the 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.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 are available on the website: http://www.state.nj.us/dca/divisions/dlgs/programs/ps_contracts.html.

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with N.J.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 N.J.S.A. 18A:39-3 is currently \$17,500.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

N.J.S.A 18A:18A-3 stated:

"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 \$36,000, 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 therefore, 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 possesses a qualified purchasing agent certificate pursuant to subsection b. 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 \$36,000.

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. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. 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 the 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. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

"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 therefore, except as is provided otherwise in this chapter or specifically by any other law."

N.J.S.A 18A:18A-4 states:

The Charter School 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.

Although a particular contract is exempt from the formal requirements of public advertising and competitive bidding, N.J.S.A. 18A:18A-37 requires that quotations be obtained, whenever practical, for any contract over the statutory threshold amount of \$5,400 for a certified purchasing agent except for contracts for professional services. All contracts and agreements, which are subject to quotations, shall be awarded on the basis of the lowest responsible quotation received, which is most advantageous to the Board of Trustees, price and other factors considered. Our examination indicated that the Board of Education complied with these provisions.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

Based on the results of our examination, we 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 provisions of N.J.S.A. 18A:18A-4, amended.

Our examination did reveal, however, that School Supplies were properly purchased from vendors approved for state contract.

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 charter school used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977 and therefore, the extent of such purchases could not reasonably be ascertained.

The review of contracts and agreements did not disclose any areas of statutory noncompliance.

School Food Service

During the 2014-15 year, the Charter School participated in the Community Eligibility Program (CEP), which allowed the School to offer breakfast and lunch free of charge to on-roll students. Although all children in a CEP school are eligible for receipt of a free meal, the CEP school is still required to maintain equivalent meal count records as those schools that are not participating in CEP.

The financial transactions and statistical records of the School Food Service Fund were maintained in satisfactory condition. The financial accounts and meal count records were reviewed on a test-check basis.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process, the edit check worksheet was completed. Reimbursement vouchers appeared to be filed in a timely manner. In addition, no exception were noted for the following:

The daily meal count records number of meals served was compared to the enrollment for reasonableness.

The daily meal count records number of students served meals was compared to the enrollment times the school's attendance factor for reasonableness.

School Food Service (Continued)

Expenditures were recorded as food costs. Vendor invoices were reviewed and costs verified. Single inventory records are maintained by Camden Promise Charter School, as part of the vended meal service agreement with the District.

The cash disbursements records reflected expenditures for program related goods and services. The District is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.l. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

During the 2014-15 school year, the Charter School subsidized the food service program, in the amount of \$12,998.

Food Distribution Program commodities allocated to the Charter School was received and a single inventory was maintained by the food service management company on a first in, first out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the **CAFR**.

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds.

The Charter School established and maintained receipt and disbursement journals during the 2014-15 School Year.

All receipts appeared to be deposited promptly into the bank account.

A monthly report of student activity funds is being submitted to the Board.

Vouchers and supporting invoices were maintained for the student activity fund purchases. All disbursements appeared to be supported by appropriate documentation.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on October 15 and the last day of school for on-roll, special education, LEP and low income. The details of our test results are included in this report in the *Schedule of Audited Enrollments*. We also performed a review of the School's procedures related to its completion.

Internal controls as they relate to the collection and submission of enrollment counts were documented and deemed sufficient.

Facilities and Capital Assets

The Charter School had no capital assets, as of June 30, 2015.

Unemployment Trust Fund

The Charter School maintains an Unemployment Trust Fund based on the reimbursement method.

Follow-up on Prior Years' Findings

In accordance with Government Auditing Standards, which are applicable to NJ Charter Schools, our procedures will include a review of all prior year audit recommendations and corrective action has been taken on all prior year audit findings.

Acknowledgment

We received the complete cooperation of all the officials of the charter school, and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in black ink, appearing to read "Raymond Colavita". The signature is written in a cursive style with a large initial "R" and "C".

Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant No. 915

SCHEDULE OF AUDITED ENROLLMENTS

KNOWLEDGE A TO Z ACADEMY CHARTER SCHOOL, INC.
 APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	64	32	32	0	32	0	0	0	0	0	0	32	32	0
One	64	32	32	0	32	0	0	0	0	0	0	32	32	0
Two	64	32	32	0	32	0	1	1	0	1	0	32	32	0
Three	64	32	32	0	32	0	1	1	0	1	0	32	32	0
Four	64	32	32	0	32	0	6	6	0	6	0	32	32	0
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	320	160	160	-	160	0	8	8	0	8	0	160	160	0
Percentage				<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>				<u>0.00%</u>

SCHEDULE OF AUDITED ENROLLMENTS

**KNOWLEDGE A TO Z ACADEMY CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015**

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Document-ation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Document-ation	Errors
Kindergarten	65	33	33	0	33	0	1	1	0	0	0	33	33	0
One	65	33	33	0	33	0	2	2	0	2	0	33	33	0
Two	65	33	33	0	33	0	0	0	0	0	0	33	33	0
Three	64	32	32	0		32	0	0	0	0	0	32	32	0
Four	65	33	33	0	33	0	3	3	0	3	0	33	33	0
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
Total	324	164	164	0	132	32	6	6	0	5	0	164	164	0
Percentage				<u>0.00%</u>		<u>24.24%</u>			<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>