

**COMPASS ACADEMY CHARTER SCHOOL
COUNTY OF CUMBERLAND**

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

INVERSO & STEWART
Marlton, New Jersey

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

Members of the Board of Trustees
Compass Academy Charter School
Vineland, New Jersey

I 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 the Compass Academy Charter School, in the County of Cumberland, State of New Jersey as of and for the fiscal year ended June 30, 2015, which were separately issued in the Comprehensive Annual Financial Report dated November 27, 2015.

As part of my audit, I performed procedures required by the Office of School Finance, Department of Education, State of New Jersey, 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 Compass Academy Charter School and the New Jersey Department of Education, for the fiscal year ended June 30, 2015. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

November 27, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the activities of the Board of Trustees, and the records of the various 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.

Officials Bonds

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|------------------|---|---------------|
| Glenn Richardson | Board Secretary/School Business Administrator | \$ 125,000 |

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of all employees of the Charter School 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 Principal and were certified by the Board Secretary/Business Administrator.

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 who then deposited with warrants in separate bank accounts for net payroll and withholdings.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators to the NJ Department of Treasury was filed by the March 15 due date.

Employee Position Control Roster

No exceptions were noted during my examination of the Employee Position Control Roster

Financial Planning, Accounting and Reporting

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. My review did not indicate any material discrepancies to the classification of orders.

Travel

No exceptions were noted in my study of compliance for travel expenses.

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 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. In addition to randomly selecting a test sample, my sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.2*. My review did not indicate any material discrepancies with respect to classification of expenditures.

Board Secretary/School Business Administrator's Records

The financial and accounting records of the Board Secretary/School Business Administrator's office were maintained in good condition.

Elementary and Secondary Education Act of 1965 (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act of 2001 (N.C.L.B.)

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 of the Elementary and Secondary Education Act, as amended and reauthorized.

Other Special Federal and/or State Projects

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

The study of compliance for special projects indicated the following:

Finding 2015-001 (CAFR Finding 2015-001):

As of June 30, 2015, \$2,885 is due from the prior year Federal Planning Grant.

Recommendation:

That all unexpended grant funds be refunded to the State Department of Education.

T.P.A.F. Reimbursement

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

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

Finding 2015-002 (CAFR Finding 2015-002):

The reimbursement to the State for the amount of the expenditures charged to the current year's Final Report 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 required by the Office of Grants Management and also subsequent to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was not in accordance with state law (90days).

Recommendation:

That the reimbursement to the State of New Jersey for pension and social security for federally funded programs be filed timely.

School Purchasing Programs

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 \$18,300.

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 a 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 of bids in accordance with the provision of N.J.S.A.18A:18A-4.

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

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

School Food Service (Continued)

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 school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all Charter School food service employees authorized by the Board of Trustees. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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

Student Body Activities

The financial records for the Student Activity Fund were maintained in satisfactory condition.

Enrollment Counts and Submission to the Department

My audit procedures included a test of information reported on the enrollment count reports for October 15, 2014 and the last day of school for on-roll, special education, bi-lingual and low-income students. We also performed a review of the School's procedures related to its completion. The information on the enrollment reports were compared to the School's workpapers with no exception noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Follow-up on Prior Years' Findings

Corrective action was taken on all prior year recommendations.

Acknowledgment

I received the complete cooperation of all the officials of the Compass Academy Charter School and I greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. P. Inverso', written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Public School Accountant

November 27, 2015

SCHEDULE OF MEAL COUNT ACTIVITY

COMPASS ACADEMY CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED 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 (a)</u> | <u>(OVER) UNDER CLAIM (b)</u> |
|---|----------------------|----------------------|---------------------|-----------------------|-------------------|-----------------|-------------------------------|
| National School Lunch (Regular Rate) | Paid | 5,870 | 5,870 | 5,870 | 0 | 0.28 | 0.00 |
| National School Lunch (Regular Rate) | Reduced | 2,038 | 2,038 | 2,038 | 0 | 2.58 | 0.00 |
| National School Lunch (Regular Rate) | Free | 6,906 | 6,906 | 6,906 | 0 | 2.98 | 0.00 |
| | TOTAL | <u>14,814</u> | <u>14,814</u> | <u>14,814</u> | | | <u>0.00</u> |
| Total Net Overclaim | | | | | | | <u>0.00</u> |

| <u>PROGRAM</u> | <u>MEAL CATEGORY</u> | <u>MEALS CLAIMED</u> | <u>MEALS TESTED</u> | <u>MEALS VERIFIED</u> | <u>DIFFERENCE</u> | <u>RATE (a)</u> | <u>(OVER) UNDER CLAIM (b)</u> |
|---|----------------------|----------------------|---------------------|-----------------------|-------------------|-----------------|-------------------------------|
| National School Breakfast (Regular Rate) | Paid | 5,062 | 5,062 | 5,062 | 0 | 0.28 | 0.00 |
| National School Breakfast (Regular Rate) | Reduced | 1,606 | 1,606 | 1,606 | 0 | 1.32 | 0.00 |
| National School Breakfast (Regular Rate) | Free | 5,978 | 5,978 | 5,978 | 0 | 1.62 | 0.00 |
| | TOTAL | <u>12,646</u> | <u>12,646</u> | <u>12,646</u> | | | <u>0.00</u> |
| Total Net Overclaim | | | | | | | <u>0.00</u> |

COMPASS ACADEMY CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - STATE
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED 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 (a)</u> | <u>(OVER) UNDER CLAIM (b)</u> |
|---|--------------------------|--------------------------|-------------------------|---------------------------|-------------------|-----------------|---------------------------------------|
| State Reimbursement - National School | Paid | 5,870 | 5,870 | 5,870 | 0 | 0.040 | 0.00 |
| State Reimbursement - National School | Reduced | 2,038 | 2,038 | 2,038 | 0 | 0.055 | 0.00 |
| State Reimbursement - National School | Free | 6,906 | 6,906 | 6,906 | 0 | 0.055 | 0.00 |
| | TOTAL | <u>14,814</u> | <u>14,814</u> | <u>14,814</u> | | | |
| Total Net Overclaim | | | | | | | <u><u>0.00</u></u> |

**COMPASS ACADEMY CHARTER SCHOOL
NET CASH RESOURCE SCHEDULE**

**Net cash resources did not exceed three months of expenditures
Proprietary Funds - Food Service
For the fiscal year ended June 30, 2015**

| <u>Net Cash Resources:</u> | | Food Service B - 4/5 | |
|---|---|-------------------------|--------------|
| CAFR | * Current Assets | | |
| B-4 | Cash & Cash Equivalents | \$ 28,900 | |
| B-4 | Intergovernmental Accounts Receivable | 9,210 | |
| B-4 | Other Accounts Receivable | | |
| B-4 | Interfund Accounts Receivable | 6,000 | |
| | | | |
| CAFR | Current Liabilities | | |
| B-4 | Less: Accounts Payable | | |
| B-4 | Less: Compensated Absences Payable | | |
| B-4 | Less: Interfund Accounts Payable | (43,137) | |
| B-4 | Less: Unearned revenue | | |
| | Net Cash Resources | \$ 973 | (A) |
| | | | |
| <u>Net Adjustment To Total Operating Expense:</u> | | | |
| B-5 | Total Operating Expense | 55,852 | |
| B-5 | Less: Depreciation | | |
| | Adjusted Total Operating Expense | \$ 55,852 | (B) |
| | | | |
| <u>Average Monthly Operating Expense:</u> | | | |
| | B / 10 | \$ 5,585 | (C) |
| | | | |
| <u>Three times monthly Average:</u> | | | |
| | 3 X C | \$ 16,756 | (D) |

| | | |
|--|----------|--|
| TOTAL IN BOX A | \$ 973 | |
| LESS TOTAL IN BOX D | (16,756) | |
| NET | (15,783) | |
| From above: | | |
| A is greater than D, cash exceeds 3 X average monthly operating expenses. | | |
| D is greater than A, cash does not exceed 3 X average monthly operating expenses. | | |

*Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form.

SCHEDULE OF AUDITED ENROLLMENTS

Compass Academy Charter School

Application for Charter School Aid

Enrollment as of Last Day of School Year

| | Submission to 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 |
|----------------------|--|---------------------------|---------------------------------------|--------------|-----------------------------|--------------|--------------------------|---------------------------|------------|-------------------------------------|----------|---------------|---------------------------|------------|
| Kindergarten | 38 | 38 | 26 | | 26 | | | | | | | 16 | 16 | |
| One | 36 | 36 | 24 | | 24 | | | | | | | 14 | 14 | |
| Two | 35 | 35 | 24 | | 24 | | | | | | | 19 | 19 | |
| Three | 33 | 33 | 23 | | 23 | | | | | | | 16 | 16 | |
| Totals | 142 | 142 | 97 | - | 97 | - | - | - | - | - | - | 65 | 65 | - |
| 0.1 Percentage Error | | | | <u>0.00%</u> | | <u>0.00%</u> | | | <u>-0-</u> | | | <u>-0-</u> | | <u>-0-</u> |

SCHEDULE OF AUDITED ENROLLMENTS

Compass Academy Charter School

Application for Charter School Aid

Enrollment as of October 15, 2014

| | Submission to DOE reported On Rd | 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 |
|------------------|--|---------------------------|---------------------------------------|--------------|-----------------------------|--------------|--------------------------|---------------------------|----------|-------------------------------------|----------|---------------|---------------------------|--------------|
| Kindergarten | 39.0 | 39.0 | 27.0 | | 27.0 | | | | | | | 18.0 | 18.0 | |
| One | 38.0 | 38.0 | 26.0 | | 26.0 | | | | | | | 16.0 | 16.0 | |
| Two | 35.0 | 35.0 | 24.0 | | 24.0 | | | | | | | 19.0 | 19.0 | |
| Three | 33.0 | 33.0 | 22.0 | | 22.0 | | | | | | | 17.0 | 17.0 | |
| Totals | 145.0 | 145.0 | 99.0 | - | 99.0 | - | - | - | - | - | - | 70.0 | 70.0 | - |
| Percentage Error | | | | 0.00% | | 0.00% | | | | | | 0.00% | | 0.00% |

COMPASS ACADEMY CHARTER SCHOOL

EXCESS SURPLUS CALCULATION

SECTION 1 - Regular Districts

A. 2% Calculation of Excess Surplus

| | | | |
|--|----|-----------------------------|-----------------------|
| 2014-15 Total General Fund Expenditures per the CAFR, Ex C-1 | \$ | <u>1,288,402</u> | (B) |
| Increased by: | | | |
| Transfer from Capital Outlay to Capital Projects Fund | \$ | <u> </u> | (B1a) |
| Transfer from Capital Reserve to Capital Projects Fund | \$ | <u> </u> | (B1b) |
| Transfer from General Fund to SRF for PreK-Regular | \$ | <u> </u> | (B1c) |
| Transfer from General Fund to SRF for PreK-Inclusion | \$ | <u> </u> | (B1d) |
| Decreased by: | | | |
| On-Behalf TPAF Pension & Social Security | \$ | <u>(50,915)</u> | (B2a) |
| Assets Acquired Under Capital Leases | \$ | <u> </u> | (B2b) |
| Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)+(B2s)] | \$ | <u>1,237,487</u> | (B3) |
| 2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02] | \$ | <u>24,750</u> | (B4) |
| Enter Greater of (B4) or \$250,000 | \$ | <u>250,000</u> | (B5) |
| Increased by: Allowable Adjustment | \$ | <u> </u> | (K) |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | | | \$ <u>250,000</u> (M) |

SECTION 2

| | | | |
|--|----|-----------------------------|-----------------------|
| Total General Fund - Fund Balances @ 6-30-15 (Per CAFR Budgetary Comparison Schedule C-1) | \$ | <u>65,265</u> | (C) |
| Decreased by: | | | |
| Year-end Encumbrances | \$ | <u> </u> | (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | \$ | <u> </u> | (C2) |
| Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures | \$ | <u> </u> | (C3) |
| Other Restricted Fund Balances | \$ | <u> </u> | (C4) |
| Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures | \$ | <u> </u> | (C5) |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] | | | \$ <u>65,265</u> (U1) |

COMPASS ACADEMY CHARTER SCHOOL

EXCESS SURPLUS CALCULATION

SECTION 3 - All Districts

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE ENTER -0- \$ _____ (E)

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 [(C3) + (E)] \$ _____ (D)

Detail of Allowable Adjustments

Impact Aid \$ _____ (H)

Sale & Lease-back \$ _____ (I)

Extraordinary Aid \$ _____ (J1)

Additional Nonpupic School Transportation Aid \$ _____ (J2)

Current Year School Bus Advertising Revenue \$ _____ (J3)

Total Adjustments [(H)+(I)+(J1)+(J2)] \$ _____ (K)

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal \$ _____

Capital outlay for a district with a capital outlay cap waiver \$ _____

Sale/lease-back reserve \$ _____

Capital reserve \$ _____

Maintenance reserve \$ _____

Emergency reserve \$ _____

Waiver offset reserve \$ _____

Tuition reserve \$ _____

Other state/government mandated reserves \$ _____

Other Restricted Fund Balance not noted above \$ _____

Total Other Restricted Fund Balance \$ _____ (C4)