

GREATER BRUNSWICK CHARTER SCHOOL

COUNTY OF MIDDLESEX

NEW JERSEY

AUDITOR'S MANAGEMENT REPORT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

**SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**GREATER BRUNSWICK CHARTER SCHOOL
COUNTY OF MIDDLESEX
NEW JERSEY**

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

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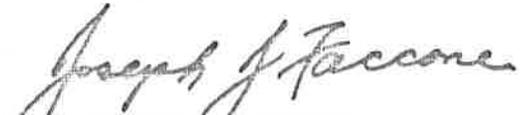
REPORT OF INDEPENDENT AUDITORS

Honorable Chairperson and Members
of the Board of Trustees
Greater Brunswick Charter School
County of Middlesex
New Brunswick, New Jersey 08901

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 the Greater Brunswick Charter School in the County of Middlesex for the year ended June 30, 2015, and have issued our report thereon dated November 17, 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 the Greater Brunswick Charter School's 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.



JOSEPH J. FACCONI
Public School Accountant #194
Registered Municipal Accountant



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
November 17, 2015

GREATER BRUNSWICK CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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 Charter School, and the records of the various funds under the auspices of the Charter 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 School's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Falkowski	Business Administrator/Board Secretary	\$161,000.00
Edward Kent	Treasurer of School Moneys	161,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with N.J. School Boards Association Insurance Group covering all other employees with multiple coverage of \$25,000.00.

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.

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and maintains an Unemployment Compensation Insurance Trust Fund.

Financial Planning, Accounting and Reporting (Continued)

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 also deposited in the Payroll Account.

All payrolls were approved by the Board Secretary and certified by the President of the Board.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

The propriety of deductions from employee salaries for pensions, Social Security, withholding tax and other purposes from employee payrolls were not verified as part of this audit. Remittances of deductions and withholdings to authorized agencies, however, were ascertained.

The Charter School contracted with Action Data Services to be the third party payroll service provider. Action Data Services has the authority to withdraw funds from the payroll account and transfer these funds to their own accounts for the purpose of the payment to certain agencies with regard to payroll deductions.

An audit of the service provider's payroll account was not provided to the Charter School nor did our staff prepare such an audit. We did review certain records provided to the Charter School. It should be noted, however, that we could not verify required payments of Federal and State agencies made by the service provider.

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) 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 classification to determine overall reliability and compliance with N.J.A.C. 6A:23A-2.4.

Board Secretary's Records

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

The Charter School is not participating in the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services. The Charter School obtained a waiver of the requirements to participate in the SEMI Program.

Treasurer's Records

The Treasurer's records were examined and found to be in agreement with the records of the Board Secretary.

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary Education Act (ESEA)/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 Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance of questionable costs.

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 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 did not indicate any areas of noncompliance.

TPAF Reimbursement

Our audit procedures included a test of the bi-weekly reimbursements filed with the Department of Education for Charter School employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were 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 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

Effective July 1, 2010 and thereafter the bid threshold in accordance with N.J.S.A. 18A:18A-3 (as amended) is \$36,000.00 (with a Qualified Purchasing Agent). The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300.00.

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 questions arise 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.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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, as amended.

Resolutions were adopted authorizing the awarding 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.

Cash receipts and bank records were reviewed for timely deposit.

Finding 2015-1:

Several cash receipts for food service and the After School Program were not promptly deposited.

Recommendation:

That all cash receipts from the food service and After School Program be promptly deposited.

The Charter School purchases the lunches through a vendor (Asare's Den, LLC). The vendor bills the Charter School on a monthly basis based on daily meals sent to the Charter School. Vendor invoices were reviewed and costs verified.

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 nonprofit status of the School Food Service. Net cash resources did not exceed three months average expenditures.

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 and/or to the list of directly certified students on file, times the number of operating days. The free and reduced price meals policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

No Food Distribution Program commodities were received.

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

Student Body Activities

Cash receipts and disbursement records were examined only insofar as the local records permitted.

Finding 2015-2:

Several cash receipts for student body activities were not promptly deposited.

Recommendation:

That all cash receipts from student body activities be promptly deposited.

Enrollment Counts and Submissions to the Department

Our audit procedures included a test of enrollment information reported on the October 15, 2014 and the last day of school for on-roll, special education, bilingual and low income. The information reported was compared to school records. The results of our procedures are presented in the Schedule of Audited Enrollments.

The Charter School maintained written procedures which appear to be adequate for the recording of student enrollment data.

Finding 2015-3:

The information that was included on workpapers was verified with several discrepancies. The results of our procedures are presented in the Schedule of Audited Enrollments.

Recommendation:

That greater care be exercised by personnel completing worksheets used in the preparation of the Application for Charter School Aid.

General Fixed (Capital) Assets

Accounting for capital assets is required in order to maintain physical accountability over the assets owned by a school. The accounting system should provide a record of the fixed assets obtained over the years that are still in service and identify the funding source for the purchase of those assets. This provides the ability to prevent, detect and recognize losses of capital assets. The New Jersey Department of Education notified Charter Schools that, effective July 1, 2001, there is a \$2,000.00 capitalization threshold for capital assets. This is a policy set for financial reporting and accounting purposes. Schools may use a lower threshold for asset management and insurance purposes.

For years prior to FY 2003, donated or purchased furnishing and equipment were immaterial and did not meet the capitalization threshold. Starting with FY 2004, we summarized expenditures for construction-in-progress and purchases of land, buildings, furniture and equipment. Our summarization was used to establish a total valuation amount for capital assets, however, no detail identifying individual items of furnishings or equipment is available. In FY 2014, the Charter School summarized expenditures for construction-in-progress, building improvements, furniture and equipment, however, no detail individual item records for furniture and equipment is available.

Follow-Up on Prior Year's Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations noted as current year finding "2015-1".

That all cash receipts from the food service and After School Program be promptly deposited. (2014-3)

RECOMMENDATIONS

That all cash receipts from the food service, After School Program and student body activities be promptly deposited.

That greater care be exercised by personnel completing worksheets used in the preparation of the Application for Charter School Aid.

Acknowledgment

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


JOSEPH J. FACCONE
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
November 17, 2015

SCHEDULE OF AUDITED ENROLLMENTS

**GREATER BRUNSWICK CHARTER SCHOOL
COUNTY OF MIDDLESEX
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014**

Grades	Submission to DOE Reported On-Roll	1		2		2a		2b		3		3a
		Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified Number Days Enrolled	Errors	Special Education and/or Bilingual as Reported on Workpapers	Verified Document-tation	Errors	Verified Number of Days Service Provided	Errors	
Kindergarten	44	22	22		22		12		12		19	19
One	44	22	22		22		13		13		17	17
Two	44	22	22		22		11		11		16	16
Three	41	21	21		21		11		11		16	16
Four	40	20	20		20		9		9		16	16
Five	44	22	22		22		7		7		19	19
Six	46	24	24		24		6		6		17	17
Seven	44	22	22		22		5		5		18	18
Eight	34	17	17		17		7		7		15	15
Total	381	192	192		192		81		81		153	152
Percentage												0.55%

1. Determine sample for each count:

Total Population is 500 Students (Excel Spreadsheet).

Sample size for each count is 500 times 50% = 250 students ensuring that all student records are audited by the second count sample.

Example: Sample size for each count: count 1 = 250, count 2 = 250. Total sample = 500.

Distribute the sample among the grades in the same proportion as the whole population.

Use random selection without replacement to choose sample.

Test all the specifics to the student selected in the sample. (i.e. Special Education, Bilingual, Low Income, etc.)

The same student should not be chosen more than once for any of the two counts, therefore 500 different students should be tested.

Pursuant to N.J.A.C. 6A:11-7.2(0)1.4: The two counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.

2. Of the sample selected, the students identified as Special Education and/or Bilingual.

2a. Verify classification to the students IEP.

2b. Verify the number of days that services were provided.

2c. Verify that student is not enrolled in a private school for the disabled.

3. Of the sample selected, identify the students classified as low income.

3a. Verify free lunch application and/or documentation from the charter/district.

4. Verify whether student is enrolled in a county vocational program. ADE is adjusted in the Final Enrollment count.

SCHEDULE OF AUDITED ENROLLMENTS

**GREATER BRUNSWICK CHARTER SCHOOL
COUNTY OF MIDDLESEX
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015**

1	2		2a		2b		3		3a		
	Submission Reported On-Roll	Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified Number Days Enrolled	Errors	Special Education and/or Bilingual as Reported on Workpapers	Verified Document-ation		Low Income as Reported on Workpapers	Verified Document-ation
Grades											
Kindergarten	44	22	22		22	(1)	11	12	18	18	(1)
One	44	22	22		22		12	12	16	16	
Two	44	22	22		22		10	9	16	16	
Three	41	21	21		21		12	10	17	17	
Four	40	20	20		20		9	8	16	16	
Five	44	22	22		22		8	6	19	19	
Six	45	23	23		23		6	5	17	17	
Seven	44	22	22		22		5	6	18	18	
Eight	34	17	17		17		6	5	15	15	
Total	380	191	191		191		79	73	152	152	6
Percentage											7.59%

1. Determine sample for each count:

Total Population is 500 Students (Excel Spreadsheet).

Sample size for each count is 500 times 50% = 250 students ensuring that all student records are audited by the second count sample.

Example: Sample size for each count: count 1 = 250, count 2 = 250, total sample = 500.

Distribute the sample among the grades in the same proportion as the whole population.

Use random selection without replacement to choose sample.

Test all the specifics to the student selected in the sample. (i.e. Special Education, Bilingual, Low Income, etc.)

The same student should not be chosen more than once for any of the two counts, therefore 500 different students should be tested.

Pursuant to N.J.A.C. 6A:11-7.2(j), 4: The two counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.

2. Of the sample selected, the students identified as Special Education and/or Bilingual.

2a. Verify classification to the students IEP.

2b. Verify the number of days that services were provided.

2c. Verify that student is not enrolled in a private school for the disabled.

2d. Verify that student was identified and began receiving related services prior to October 15.

3. Of the sample selected, identify the students classified as low income.

3a. Verify free lunch application and/or documentation from the charter/district.

4. Verify whether student is enrolled in a county vocational program.

GREATER BRUNSWICK CHARTER SCHOOL
COUNTY OF MIDDLESEX
FISCAL YEAR ENDED JUNE 30, 2015

EXCESS SURPLUS CALCULATION

CHARTER SCHOOL

SECTION 1

A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 5,642,134.67	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	18,000.00	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>430,652.16</u>	
Adjusted 2014-15 General Fund Expenditures	<u>\$ 5,229,482.51</u>	
2% of Adjusted 2014-15 General Fund Expenditures (Times .02)	<u>\$ 104,589.65</u>	
Enter Greater of Above or \$250,000	<u>\$ 250,000.00</u>	
Maximum Unassigned/Undesignated - Unreserved Fund Balance		<u>\$ 250,000.00</u>

SECTION 2

Total General Fund - Fund Balances @6-30-15 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 827,422.55	
Decreased by:		
Year-End Encumbrances	<u>20,514.27</u>	
Total Unassigned Fund Balance		<u>\$ 806,908.28</u>

SECTION 3

Restricted Fund Balance - Excess Surplus		<u>\$ 556,908.28</u>
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