

RED BANK CHARTER SCHOOL

COUNTY OF MONMOUTH, NEW JERSEY

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE

FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Reports Dated December 2, 2015)

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

TABLE OF CONTENTS

Report of Independent Auditor	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account and Position Control Roster	2-3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	
• General Classifications	3
• Administrative Classifications	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act/Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	3
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4-5
School Food Services	5-6
Student Body Activities	6
Enrollment Counts and Submissions to the Department	6
Pupil Transportation	6
Facilities and Capital Assets	6
Miscellaneous	6
Follow-up on Prior Year Findings	6
Acknowledgment	6
Schedule of Meal Count Activity	N/A
Net cash resource schedule	N/A
Schedules of Audited Enrollments	7

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Trustees
Red Bank Charter School
County of Monmouth, 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 Red Bank Charter School in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 2, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, 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 Red Bank Charter School'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,



Jump, Perry and Company, L.L.P.
Toms River, New Jersey



Kathryn Perry, Partner
Public School Accountant
No. CS 20CS00226400

December 2, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary and 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 district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Bima Baje	Business Administrator	\$ 100,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$225,000.

Finding 2015-01:

The minimum requirement was not met for the surety bond which is a percentage of the current year's school budget as is set forth in N.J.A.C. 6A:23A-16.4.

Recommendation:

The coverage needs to be calculated annually and increased to meet minimum requirement.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Our comparison revealed that tuition appeared to be charged correctly.

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.

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 Superintendent and were certified by the President of the Board, and the Business Administrator/Board Secretary.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding 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.

Payroll Account (cont'd)

Position Control Roster

A review of the Position Control Roster was made and found that proper and consistent financial reporting, and that employee benefits are offered only to current employees and their eligible relations.

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 and accounts payable.

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 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:23A-8.3. As a result of the procedures performed, a transaction error rate of 0.0 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

No findings.

Treasurer's Records

N/A

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School 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 projects under the Titles I and VI 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.

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 Single Audit Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of quarterly reimbursement forms filed with the Department of Education for district 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

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

- 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 \$26,000, 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 is qualified 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 the 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.A. 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.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

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

Contracts and Agreements Requiring Advertisement for Bids (cont'd)

The bid threshold 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 for 2014-15.

The Board of Education 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.

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 be reasonably ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. See finding.

The results of our examination indicated that there did exist an individual payment, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies" 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.

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 school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal however, that the following purchases were made through the use of State contracts:

School Supplies
Computers

Finding 2015-02:

The Charter School engaged Tritech Computer Consulting for computer consulting services with an agreement to purchase 100 hours of services for \$9,500.00 to be used when needed and also purchased computer supplies from them during the year. Tritech Computer Consulting was paid over the bid threshold of \$36,000.

Recommendation:

The Charter School should adopt internal control procedures over procurement and purchasing to ensure documentation of compliance the provisions of N.J.S.A. 18A:18A-4.

School Food Service

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited.

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.

School Food Service (continued)

The FSMC had a system review performed on their internal controls as it related to their food service operations.

Expenditures should be separately recorded as food, labor and other costs. The FSMC reports were reviewed and this separation was performed. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The FSMC's 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.

Applications for free and reduced price meals were reviewed for completeness and accuracy.

Student Body Activities

During our review of the student activity funds, the following items were noted.

No findings.

Enrollment counts and submission to the Department

Our audit procedures included a test of enrollment information on October 15, 2014 and the last day of school for on-roll, special education, bilingual and low-income.

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

Pupil Transportation

N/A

Facilities and Capital Assets

N/A

Miscellaneous

N/A

Follow-up on Prior Years' Findings

N/A

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

**RED BANK CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID**

ENROLLMENT COUNT AS OF OCTOBER 15, 2014

Grades	Submission to DOE Reported On Roll	Reported on Work-papers	Verified Signed Registration Forms	Errors	Verified # of Days Enrolled	Errors	Special Ed. and/or Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors	Food Program		
												Low Income	Verified Documentation	Errors
Pre-K	15	8	8	-	8	-	-	-	-	-	-	-	-	-
Kindergarten	17	9	9	-	9	-	3	2	-	2	-	6	6	-
First	19	10	10	-	10	-	1	1	-	1	-	7	7	-
Second	19	10	10	-	10	-	1	1	-	1	-	6	6	-
Third	17	9	9	-	9	-	3	2	-	2	-	8	8	-
Fourth	18	9	9	-	9	-	2	1	-	1	-	7	7	-
Fifth	18	9	9	-	9	-	2	1	-	1	-	6	6	-
Sixth	15	8	8	-	8	-	5	3	-	3	-	5	5	-
Seventh	18	9	9	-	9	-	2	1	-	1	-	8	8	-
Eighth	16	8	8	-	8	-	2	1	-	1	-	5	5	-
Total	72	38	38	-	38	-	8	6	-	6	-	27	27	-
Percentage				<u>0%</u>		<u>0%</u>			<u>0%</u>		<u>0%</u>			<u>0%</u>

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015

Grades	Submission to DOE Reported On Roll	Reported on Work-papers	Verified Signed Registration Forms	Errors	Verified # of Days Enrolled	Errors	Special Ed. and/or Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors	Food Program		
												Low Income	Verified Documentation	Errors
Pre-K	15	8	8	-	8	-	-	-	-	-	-	-	-	-
Kindergarten	17	9	9	-	9	-	3	2	-	2	-	6	6	-
First	19	10	10	-	10	-	1	1	-	1	-	7	7	-
Second	18	9	9	-	9	-	1	1	-	1	-	6	6	-
Third	17	9	9	-	9	-	3	2	-	2	-	8	8	-
Fourth	18	9	9	-	9	-	2	1	-	1	-	7	7	-
Fifth	17	9	9	-	9	-	2	1	-	1	-	6	6	-
Sixth	15	8	8	-	8	-	5	3	-	3	-	5	5	-
Seventh	18	9	9	-	9	-	2	1	-	1	-	8	8	-
Eighth	16	8	8	-	8	-	2	1	-	1	-	5	5	-
Total	66	34	34	-	34	-	11	6	-	6	-	24	24	-
Percentage				<u>0%</u>		<u>0%</u>			<u>0%</u>		<u>0%</u>			<u>0%</u>