

**INDEPENDENT AUDITORS' MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**NEWARK EDUCATORS'
COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

JUNE 30, 2015

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditors' Report	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	2
Reserve for Encumbrances and Accounts Payable.....	2
Travel Policy.....	3
Classification of Expenditures	3
▪ General Classification	
▪ Administrative Classification	
Board Secretary's Reports	3
Treasurer's Records.....	3
Elementary and Secondary Education Act/Improving America's School Act as Authorized by the No Child Left Behind Act of 2001	4
Other Special Federal and/or State Projects.....	4
TPAF Reimbursement.....	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Service	5
Enrollment Counts and Submissions to the Department/ Charter School Aid	7
Facilities and Capital Assets	7
Miscellaneous	7
Follow-up on Prior Year Findings	8
Acknowledgment	8
Schedule of Meal Count Activity	9
Schedule of Audited Enrollments	11
Excess Cash Surplus Calculation	13



INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of Board of Trustees
Newark Educators' Community Charter School
County of Middlesex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Newark Educators' Community Charter School (the "Charter School") in the County of Essex, State of New Jersey for the year ended June 30, 2015, and have issued our report thereon dated November 13, 2015.

As part of our audit, we performed procedures required by the State of 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 Charter School 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.

Leonora Galleros, CPA
Licensed Public School Accountant
No. No. 20CS002239400

November 13, 2015
Freehold, New Jersey

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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 Trustees of Visions Academy Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Insurance

Required insurance coverages are carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Hector Berrios	School Business Administrator	\$183,508

Adequate insurance is in effect with a duly licensed and authorized insurance company for all employees for the faithful performance of their duties.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter School.

Financial Planning, Accounting, and Reporting

Examination of Claims

An examination of claims paid during the period under review we noted that claims were approved by designated individuals, certified and supporting documents were maintained. No exception noted.

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 deposited in the Payroll Agency Account. All payrolls were approved by the designee of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator. In addition, salary withholdings were remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2015, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable. No exception was noted in this area.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting

Travel Policy

A travel policy was adopted by the Board as required by *N.J.A.C. 6A:23A A-6.13* and *N.J.S.A. 18A:11-12*.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we 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, a minimal transaction error rate of 0.017% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications. No exception noted.

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval.

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared and were presented to the Board by the School Business Administrator/Board Secretary.

Finding 2015-001

Although the Treasurer's position is optional, required reports must be prepared and maintained by a board designated personnel other than the board secretary for purposes of segregation of duties.

Recommendation

We recommend that the board designate personnel other than the board secretary to prepare required reports and maintain treasury records.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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 ESEA/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 IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's special projects were approved as listed on Schedules A and B 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.

Teachers' Pension Annuity Fund (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter School employees who are members of the Teacher's Pension Annuity Fund. We noted no exceptions.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 (a) sets forth the bid threshold and requires award by board resolution. The statute was amended in 1999 to provide for an even higher threshold when there is a "Qualified Purchasing Agent" in the charter school as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18a:18a-3(B), the bid threshold was raised to \$26,000, effective July 1, 2010. For charter schools with a qualified purchasing agent, the bid threshold was raised to \$36,000.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Purchasing Programs – Continued

“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 without public advertising for bids and bidding therefore, except that the board may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.”

N.J.S.A. 18A:18A-37 describes the awarding of contracts below the bid threshold. Subsection (a) describes the requirements for awarding contracts below the bid threshold.

“For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (a) of N.J.S.A. paragraph (3) of that subsection concerning work by employees of the board, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable.”

Subsection (c) describes the requirements for small purchases.

“If authorized by the board resolution, all contracts that are in the aggregate less than 15 percent of the bid threshold may be awarded by the purchasing agent without soliciting competitive quotations.”

Based on the results of our tests, we did note any individual payments, contracts, or agreements made for the performance of any work or goods or services in excess of statutory thresholds where there had been no advertising for bids in accordance with the provision 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 18:18A-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.

The Charter School 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 FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Food Service - Continued

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process that Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

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

Net cash resources exceeded three months average expenditures by a minimal amount of \$1,380, as shown below:

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, on a school by school basis. 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. We did note exceptions as described below.

Finding 2015-002* (CAFR Finding 2015-001)

In our review of records and reports related to the Food Service Program, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents as follows:

- a. There were 2 students classified as "reduced" category should have been classified under "denied" category based on the completed application and income information on file.
- b. There was a student classified as "free" should have been classified under "denied" based on the completed application and income information on file.
- c. There were 3 students classified as "reduced" category should have been classified under "free" category based on the completed application and income information on file.
- d. There were 3 students classified as "denied" category should have been classified under "free" category based on the completed application and income information on file.

Recommendation

We recommend that entries in the CHE system should be reviewed against information on verified lunch applications by designated Charter School personnel or by contracted vendor to ensure proper reporting and accurate claims of meals served under the three categories: free, reduced, or paid meals.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Enrollment Count and Submission to the Department

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low income students. We also performed a review of the Charter School's procedures related to its completion.

Facilities and Capital Assets

The Charter School has inventory records of assets. No exception was noted in this area.

Miscellaneous

Finding 2015-003

During the audit, we noted that After School Program activities are accounted for in a fiduciary fund, instead of an enterprise fund. In addition, some revenues which were deposited in the Charter School's account, and paid expenditure transactions were yet to be recorded in the fund as of fieldwork date.

Adjusting journal entries were proposed to record these transactions in the Enterprise Fund.

Recommendation

We recommend that the Charter School record all After School Program transactions in the Enterprise Fund.

Finding 2015-004

In our review of the Special Revenue Fund, we noted that Student Activity Fund transactions were accounted for in the Special Revenue Fund. Student Activity is a Fiduciary account and should be accounted for as such. The transactions were reclassified and adjusted during the audit. It should be noted that all transactions were accounted for.

Recommendation

Student body activities should be recorded and reported under the Fiduciary Fund.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation (with asterisk *).

Acknowledgment

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

Respectfully submitted,



Leonora Galleros, CPA
Licensed Public School Accountant
No. 20CS002239400



November 13, 2015
Freehold, New Jersey

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY

NEWARK EDUCATOR'S COMMUNITY CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	2,431	2,431	2,431	-	0.30	-
National School Lunch (Regular Rate)	Reduced	3,902	3,902	3,902	-	2.60	-
National School Lunch (Regular Rate)	Free	41,152	41,152	41,152	-	3.00	-
	TOTAL	47,485	47,485	47,485			-
National School Lunch	HHFKA - PB Lunch Only	47,485	47,485	47,485	-	0.06	-
School Breakfast (Severe Need Rate)	Paid	1,102	1,102	1,102	-	0.28	-
	Reduced	2,138	2,138	2,138	-	1.63	-
	Free	25,304	25,304	25,304	-	1.93	-
	TOTAL	28,544	28,544	28,544			-
Special Milk	Paid	-	-	-	-	0.23	-
After School Snacks	Paid	-	-	-	-	0.07	-
	Reduced	-	-	-	-	0.41	-
	Free (Area Eligible)	12,752.00	12,752.00	12,752.00	-	0.82	-
	TOTAL	12,752.00	12,752.00	12,752.00			-
CACFP (d) - Food	Free	-	-	-	-	2.98	-
CACFP (d) - Cash-in-lieu of USDA Foods	Free	-	-	-	-	0.2475	-
	Total Net Underclaim (Overclaim)						-

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY

NEWARK EDUCATOR'S COMMUNITY CHARTER SCHOOL

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -STATE

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
State Reimbursement - National School Lunch (Regular Rate)	Paid	2,431	2,431	2,431	-	\$ 0.04	\$ -
State Reimbursement - National School Lunch (Regular Rate)	Reduced	3,902	3,902	3,902	-	0.06	-
State Reimbursement - National School Lunch (Regular Rate)	Free	41,152	41,152	41,152	-	0.06	-
	TOTAL	<u>47,485</u>	<u>47,485</u>	<u>47,485</u>			

Total Net Underclaim (Overclaim)

\$ -

**NEWARK EDUCATOR'S COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014**

Submission to 															
Grades	CHE 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	
PK	15	15	15	-	185	-	-	-	-	185	-	-	-	-	
K	49	49	49	-	185	-	3	3	-	185	-	40	39	1	
1	50	50	50	-	185	-	5	5	-	185	-	46	46	-	
2	50	50	50	-	185	-	6	6	-	185	-	34	34	-	
3	49	49	49	-	185	-	11	11	-	185	-	41	41	-	
4	50	50	50	-	185	-	7	7	-	185	-	39	39	-	
5	50	50	50	-	185	-	12	12	-	185	-	42	42	-	
Total	313	313	313	-	1,295	-	44	44	-	1,295	-	242	241	1	
Percentage				0.0%		0.0%			0.0%		0.0%			0.4%	

**NEWARK EDUCATOR'S COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2015**

Submission to [REDACTED]															
Grades	CHE 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	
PK	13	13	13	-	185	-	-	-	-	185	-	-	-	-	
K	50	50	50	-	185	-	3	3	-	185	-	40	39	1	
1	49	49	49	-	185	-	5	5	-	185	-	43	43	-	
2	50	50	50	-	185	-	6	6	-	185	-	34	34	-	
3	49	49	49	-	185	-	11	11	-	185	-	41	41	-	
4	48	48	48	-	185	-	7	7	-	185	-	37	37	-	
5	51	51	51	-	185	-	12	12	-	185	-	41	41	-	
Total	310	310	310	-	1,295	-	44	44	-	1,295	-	236	235	1	
Percentage				0.0%		0.0%			0.0%		0.0%			0.4%	

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2015

SECTION 1

A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 4,965,845 (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ - (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ - (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 401,101 (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 4,564,744 (B3)</u>
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	\$ 91,295 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000 (B5)
Increased by: Allowable Adjustment *	\$ _____ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	<u>\$ 250,000 (M)</u>

SECTION 2

Total General Fund - Fund Balances @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 755,985 (C)
Decreased by:	
Year-end Encumbrances	\$ 10,398 (C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$ _____ - (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Other Restricted Fund Balances ****	\$ _____ - (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year's Expenditures	\$ _____ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 745,587 (U1)</u>
Excess Surplus at June 30, 2015	<u>\$ 495,587</u>

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ _____ - (E)
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Recapitulation of Excess Surplus as of June 30, 2014

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ - (E)
Total Excess Surplus [(C3) + (E)]	<u>\$ _____ - (D)</u>

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."