

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

GREAT OAKS CHARTER SCHOOL

JUNE 30, 2015

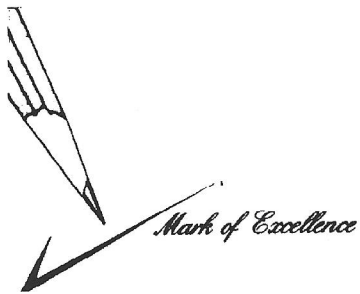
ILORI CPA LLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
GREAT OAKS CHARTER SCHOOL
COUNTY OF ESSEX**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members of
Board of Trustees
Great Oaks Charter School
County of Essex, 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 Great Oaks Charter School (the "Charter School") in the County of Essex in the State of New Jersey for the year ended June 30, 2015, and have issued our report thereon, dated August 31, 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 School's management, Board of Trustees and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

ILORI CPA LLC

KunleIlori

Kunle B. Ilori CPA
Licensed Public School Accountant
No. 20CS00233100

ILORI CPA LLC

Newark, New Jersey
August 31, 2015

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Scope of Audit

The audit covered the financial transactions of Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Trustees, and the records of the various funds under the auspices of the Board of Trustees. Additional items discovered during our audit are also stated in this report.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the charter school's CAFR.

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

<u>Position</u>	<u>Amount</u>
School Business Administrator	\$50,000

Our review of insurance policies disclosed that the Charter School maintains fidelity insurance on officers in certain financial position such as the School Business Administrator and the Board Treasurer.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the school and all proceeds for before/after school program were accounted for in an Enterprise Fund.

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.

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Financial Planning, Accounting and Reporting – Continued

Payroll Account

While the net salaries of all employees of the Charter School were deposited in the Payroll Account, all payrolls were approved by the designee in the charter school and were certified by the President of the Board and the Board Secretary/ Business Administrator.

Observation

Employees' payroll deductions and employee's share of fringe benefits including health were deposited in the agency account in accordance with N.J. A. C. 5:30-17 to be remitted to appropriate governmental agencies or outside party such as Health Insurance Company.

Observation

The required certification (E-CERTI) of compliance with requirements of compliance for income tax on compensation (lead person, principals and business administrator) to the NJ Department of treasury was completed and filed by the March 15 due date.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of purchase orders as Reserve for Encumbrances and Accounts Payable, disclosed no instances of non compliance with laws and regulations.

Travel

While there was no travel event that was up to \$5,000 or more which would require approval of the County superintendent of Education. The charter school has a travel policy that is consistent and complies with NJSA 18A:11.

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the 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 randomly selected expenditure items. As a result of the procedures performed, a transaction error rate of 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

During our test of transactions it was noted that the charter school properly classified its expenditures using the technical accounting manual as a reliable source for its accounting transactions.

Observation:

The Charter school consistently referenced Charter School accounting manual titled *The Uniform Chart of Accounts (Handbook 2R2) for New Jersey Public School* for guidance in transaction postings thereby enhancing its reporting process.

B. Administration classification findings

During our test of transactions it was noted that the charter school properly classified the state tuition aid to different categories as provided by the state such as Security aid, special education, preschool aid and state share.

Financial Planning, Accounting and Reporting

Board Secretary's Records

Our review of the financial and accounting records maintained by the business office disclosed no instances of noncompliance. The Board acknowledged the receipt of the monthly financial reports in the minutes. In addition, procurement for goods and services are approved by the Board in the form of resolution except for the exception below:

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Financial Planning, Accounting and Reporting

Treasurer's Records

The school does not maintain position of treasurer school of moneys; rather the school business administrator handle all administrative issues, and cash transactions while the accountant record all transactions and prepare bank account reconciliations.

Capital Assets

Inventory of assets and tracking

Observation:

The inventory of capital assets was maintained and updated for the year ended June 30, 2015 as required to account for new acquisitions and disposals with their related depreciation expense.

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 noted.

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 as computed in the attached schedule. 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 or certified in a timely manner. No exceptions 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 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. Sites 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.

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

SCHOOL FOOD SERVICE-CONTINUED

Finding

We noted a few missing applications for free and reduced meals. The signed application is designed to substantiate the eligibility of the student for the right to meals

Recommendation

We recommend that the school exercise better control over the review of applications.

STUDENT BODY ACTIVITIES

No exceptions were noted during our review of student activity funds.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (IASA) as reauthorized by No Child Left Behind Act of 2001.

The E.S.E.A./N.C.L.B 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 Act as amended and reauthorized.

The study of the compliance for E.S.E.A./ N.C.L.B indicated the following areas of noncompliance and /or questionable costs.

Other Special Federal and/or State Projects

The charter school's Special Grants were approved as listed on Schedules A and B located in the CAFR. 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 review of Special projects for compliance by the oversight agency uncovered instances of non-compliance as indicated below. Our procedures require us to determine the extent and the impact of such monitoring reports on our audit. Based on our procedures, we noted no exceptions.

On Behalf Payments

FICA Reimbursement

Our audit procedures included a test of the biweekly FICA reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity (TPAF) Fund. No exceptions were noted in the process.

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

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 is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

Effective July 1, 2010 and thereafter the bid in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 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.

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.

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 provision of N.J.S.A. 18A:18A-4, amended.

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price thereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

School Purchasing Programs

No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement."

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

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Enrollment Counts and Submission to the Department

We reviewed the enrollment process with the management; we noted that the school has well written internal procedures that describe the enrollment count process. The procedures describe how the count is taken, who is responsible for compiling the data, completing the enrollment count submission, and detail various responsibilities for collection of the data and the follow up procedures to make amendments if necessary.

Finding

In the course of the audit, we noted one special education student that should have been out of District was claimed by the School and the resident district.

Recommendation

The school should stop claims upon ascertaining that the special education students have been approved and accepted by the resident district to prevent duplicate charges.

**GREAT OAKS CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Follow-up on Prior Year Findings

In accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, our procedures include review of prior year findings and recommendations in relation to the corrective action plan undertaken by the School. Corrective Action Plan was implemented except for the similar occurrences in the enrollment and food programs.

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.

GREAT OAKS CHARTER SCHOOL
NET CASH RESOURCE SCHEDULE
PROPRIETARY FUNDS - FOOD SERVICE
JUNE 30, 2015

		<u>Food Service</u>	
<u>Net Cash Resources:</u>			
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ (37,823)
B-4		Due from Other Gov'ts	
B-4		Accounts Receivable	40,700
B-4		Investments	
		Total Current Assets	<u>2,877</u>
CAFR		Current Liabilities	
B-4		Less Accounts Payable	
B-4		Less Accruals	
B-4		Less Due to Other Funds	19,032
B-4		Less Deferred Revenue	
		Net Cash Resources	<u><u>\$ (16,155)</u></u> (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Expense	242,780
B-5		Less Depreciation	<u>0</u>
		Adjusted. Total. Operating Expense	<u><u>\$ 242,780</u></u> (B)
<u>Average Monthly Operating Expense:</u>			
		B / 10	<u><u>\$ 24,278</u></u> (C)
<u>Three times monthly Average:</u>			
		3 X C	<u><u>\$ 72,834</u></u> (D)

TOTAL IN BOX A	(16,155)
LESS TOTAL IN BOX D	<u>72,834</u>
NET	<u><u>(88,989)</u></u>

From above:
D is greater than A, cash does not exceed 3 X average monthly operating expenses.
Net cash resources did not exceed three months of expenditures

SCHEDULE OF MEAL COUNT ACTIVITY

GREAT OAKS CHARTER SCHOOL

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal

-
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	\$ 3,030	\$ 3,030	\$ 3,030	\$ -	\$ 0.30	\$ -
National School Lunch (Regular Rate)	Reduced	6,947	6,947	6,947	0	2.6	0.00
National School Lunch (Regular Rate)	Free	69,190	40,100	40,100	0	3	0.00
	TOTAL	79,167	50,077	50,077			0.00
National School Lunch	HHFKA - PB Lunch Only	83,979	83,979	83,979	0	0.06	0.00
School Breakfast (Regular Rate)	Paid	2,517	1,629	1,629	0	0.28	0.00
	Reduced	4,298	2,616	2,616	0	1.63	0.00
	Free	41,029	24,136	24,136	0	1.93	0.00
	TOTAL	47,844	28,381	28,381			0.00
Special Milk	Paid	0	0	0	0	0.23	0.00
After School Snacks	Paid	0	0	0	0	0.28	0.00
	Reduced	0	0	0	0	1.32	0.00
	Free	80,462	49,382	49,382	0	1.62	0.00
	TOTAL	\$ 80,462	\$ 49,382	\$ 49,382			\$ -
CACFP (d) - Food	Free	0	0	0	0	2.98	0.00
CACFP (d) - Cash-in- lieu of USDA Foods	Free	0	0	0	0	0.2475	0.00
	Total Net Overclaim						0.00

-

SCHEDULE OF MEAL COUNT ACTIVITY

GREAT OAKS CHARTER SCHOOL

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -State

-

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
State Reimbursement - National School Lunch (Regular Rate)	Paid	\$ 3,030	\$ 3,030	\$ 3,030	0	0.040	0.00
State Reimbursement - National School Lunch (Regular Rate)	Reduced	6,947	6,947	6,947	0	0.055	0.00
State Reimbursement - National School Lunch (Regular Rate)	Free	69,190	40,100	40,100	0	0.055	0.00
	TOTAL	<u>\$ 79,167</u>	<u>\$ 50,077</u>	<u>\$ 50,077</u>			

Total Net Overclaim

0.00

GREAT OAKS CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

Grades	(State) Submission to DOE	Reported on Work Papers	Verified Signed Registration	Errors	Verified No. Days Enrolled	Errors	Special Ed And/Or Bilingual	Verified Documentation	Errors	Verified No. Days Services Provided	Errors	Low Income	Verified Documentation	Errors
Grade 6	47	50	17	4	45	5	6	0	1	6	1	50	48	2
Grade 7	30	30	30	0	25	5	4	1	0	4	0	30	29	1
Grade 8	36	34	34	0	33	1	5	0	0	5	1	34	33	1
Grade 9	48	47	47	0	46	1	7	2	1	7	0	47	45	2
Grade 10	20	18	18	0	16	2	1	6	0	1	0	18	16	2
TOTAL	181	179	146	4	165	14	23	9	2	23	2	179	171	8

PERCENTAGE

2.23%

7.82%

8.70%

8.70%

4.47%

GREAT OAKS CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF JUNE 30, 2015

SCHEDULE OF AUDITED ENROLLMENTS

Grades	(State) Submission to DOE	Reported on Work Papers	Verified Signed Registration	Errors	Verified No. Days Enrolled	Errors	Special Ed And/Or Bilingual	Verified Documentation	Errors	Verified No. Days Services Provided	Errors	Low Income	Verified Documentation	Errors
Grade 6	47	50	17	4	45	5	5	4	1	5	0	50	48	2
Grade 7	35	30	30	0	25	5	4	4	0	4	0	30	29	1
Grade 8	36	34	34	0	33	1	4	4	0	5	0	34	33	1
Grade 9	48	47	47	0	46	1	8	7	1	7	0	47	45	2
Grade 10	20	18	18	0	16	2	1	1	0	1	0	18	16	2
TOTAL	186	179	146	4	165	14	22	20	2	22	0	179	171	8

PERCENTAGE

2.23% 7.82% 9.09% 0.00% 4.47%