

INTERNATIONAL ACADEMY OF TRENTON
CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
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FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
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November 10, 2015

The Honorable President and Members
 of the Board of Trustees
 International Academy of Trenton Charter School
 County of Mercer, NJ

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 financial statements of the Board of Trustees of the International Academy of Trenton Charter School for the 18-month period ended June 30, 2015, and have issued our report thereon dated November 10, 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 letter does not affect our report dated November 10, 2015, on the financial statements of the Board.

We will review the status of the comments, if any, during our next audit engagement. We have already discussed any comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations, if any.

This report is intended solely for the information and use of the International Academy of Trenton Charter School's Board of Trustees, the management, and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Nisivoccia, LLP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
 Licensed Public School Accountant #884
 Certified Public Accountant

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the School's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Michael Falkowski	Board Secretary/School Business Administrator	\$ 150,000

There is Blanket Employee Dishonesty coverage with the Selective Insurance Company in the amount of \$100,000.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid, on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification and supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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. Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the General Fund.

All payrolls were approved by the School Director and certified by the President of the Board and School Business Administrator and School Director.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, 2015 for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of General and Administrative 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, we reviewed 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

No Child Left Behind (N.C.L.B.)

The N.C.L.B. financial exhibits are contained within the Special Revenue Section of the Charter School's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and Title II of the No Child Left Behind Act.

The study of compliance for N.C.L.B. revealed no areas of noncompliance and/or questioned 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 revealed no areas of noncompliance and/or questioned costs.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
 (Continued)

Financial Planning, Accounting and Reporting (Cont'd)

T.P.A.F. Reimbursement

This was the first year of operations for the Charter School, as such, there were no reimbursements for Teachers Pension and Annuity Fund as the Charter School was not yet enrolled in the program as of June 30, 2015.

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 \$17,500, 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 the Board of Education may establish that the bid threshold may be up to \$25,000. 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 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"

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"

Effective July 1, 2010 and thereafter 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 currently \$18,300.

The Board of Trustees 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 violation of the statute, the Attorney's opinion should be sought before a commitment is made.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
(Continued)

School Purchasing Programs (Cont'd)

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

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 reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

The results of our examination indicated that no individual payments, contracts, or agreements were 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.

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 Charter School 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.

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 basis. Food Service accounting records maintained by the District's central administration office were reconciled with the records maintained by the food service contractor.

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.

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 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 approved to participate in Provisions 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.

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

Cash receipts and bank records were reviewed for timely deposit.

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 Fund. Net cash resources did not exceed three months average expenditures.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
(Continued)

School Food Service (Cont'd)

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.

Time sheets and payroll records provided to the District from the Food Service contractor were reviewed on a test basis.

Food distribution program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

The District has a Type 2 SOC 1 report (Service Organization Controls report) of the food service management company on file as required by state requirements.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Enrollment Counts and Submission to the Department

Our 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, bilingual and low income students (if applicable) and a review of the Charter School's procedures related to its completion. The information on the enrollment reports agreed to the Charter School's workpapers with a few minor exceptions. The information included on the workpapers was verified on a test basis without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Travel Expense and Reimbursement Policy

Travel regulations require each Charter School to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the Charter School to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Trustees and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

Our review of the travel policies and records revealed that the Charter School is in general compliance with the travel regulations.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
 (Continued)

Suggestions to Management:

Deferred Compensation Plans

The District has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the District. The District should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the District's fiduciary responsibilities.

Independent Contractors vs. Employees

The District should consider reviewing the status of "Independent Contractors" utilized by the District with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

Miscellaneous:

Single Audit

Effective for the fiscal year ended June 30, 2016, there will be significant changes to the Single Audit. These changes include the following:

- An increase in the single audit threshold
- Low risk auditee criteria
- Type A and B threshold
- Coverage requirements for major programs tested for both low risk and non-low risk auditees.

Additionally, the cost principles and administrative requirements such as A-87 have been consolidated under the *OMB Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards*. This guidance was effective December 26, 2014 for all new federal awards and for any additional funding for existing awards made after December 26, 2014.

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the District will be GASB#75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB#45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* GASB#68 in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the New Jersey Division of Pensions.

Status of Prior Year's Findings/Recommendations

This was the first year of operations for the Charter School, therefore, there were no prior year audit findings or recommendations.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF MEAL COUNT ACTIVITY
FOOD SERVICE FUND
NUMBER OF MEALS SERVED
ENTERPRISE FUND
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
(MEMORANDUM ONLY)

<u>Program</u>	<u>Meal Category</u>	<u>Meal Claimed</u>	<u>Meal Tested</u>	<u>Meal Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Underclaim</u>
National School	Paid	1,548	820	820	- 0 -	\$ 0.028	\$ - 0 -
Lunch	Reduced	2,140	1,134	1,134	- 0 -	2.530	- 0 -
(Regular Rate)	Free	37,571	19,913	19,913	- 0 -	2.930	- 0 -
	TOTAL	<u>41,259</u>	<u>21,867</u>	<u>21,867</u>	<u>- 0 -</u>		<u>- 0 -</u>
NET (OVER) /UNDER CLAIM							<u>\$ - 0 -</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF NET CASH RESOURCES
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015
(MEMORANDUM ONLY)

	<u>Food Service Fund</u>	
<u>Net Cash Resources:</u>		
Current Assets*:		
B-4 Due from Other Governments	\$ 28,400	
B-4 Interfund Receivable	9,519	
Current Liabilities:		
B-4 Accounts Payable	<u> (37,919)</u>	
Net Cash Resources	<u>\$ - 0 -</u>	(A)
<u>Net Adjustment to Total Operating Expenses:</u>		
B-5 Total Operating Expenses	<u>\$ 180,676</u>	
Adjusted Total Operating Expenses	<u><u>\$ 180,676</u></u>	(B)
<u>Average Monthly Operating Expenses:</u>		
(B) Divided by 10	<u><u>\$ 18,068</u></u>	(C)
<u>Three times Monthly Average Operating Expenses:</u>		
3 times (C)	<u><u>\$ 54,203</u></u>	(D)
Amount by Which Net Cash Resources Exceeds 3 Times Average Monthly Operating Expenses	<u><u>\$ - 0 -</u></u>	

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

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF OCTOBER 15, 2014

	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Low Income	Selected Low Income	Verified Documentation	Errors
Kindergarten	112	112		8	8		8		106	8	8	
Grade 1	92	92		6	6		6		87	7	7	
Grade 2	93	94	(1)	6	6		6		87	6	6	
Grade 3	61	64	(3)	5	5		5		56	4	4	
Totals	<u>358</u>	<u>362</u>	<u>(4)</u>	<u>25</u>	<u>25</u>	<u>- 0 -</u>	<u>25</u>	<u>- 0 -</u>	<u>336</u>	<u>25</u>	<u>25</u>	<u>- 0 -</u>
Percentage Error			<u>1.10%</u>			<u>0.00%</u>		<u>0.00%</u>				<u>0.00%</u>

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015

	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Low Income	Selected Low Income	Verified Documentation	Errors
Kindergarten	120	120		8	8		8		106	8	8	
Grade 1	98	98		6	6		6		87	7	7	
Grade 2	103	103		6	6		6		85	6	6	
Grade 3	63	64	(1)	5	5		5		56	4	4	
Totals	<u>384</u>	<u>385</u>	<u>(1)</u>	<u>25</u>	<u>25</u>	<u>- 0 -</u>	<u>25</u>	<u>- 0 -</u>	<u>334</u>	<u>25</u>	<u>25</u>	<u>- 0 -</u>
Percentage Error			<u>0.26%</u>			<u>0.00%</u>		<u>0.00%</u>				<u>0.00%</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FOR THE 18-MONTH PERIOD ENDED JUNE 30, 2015

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
3. School Purchasing Program
None
4. School Food Service
None
5. Transportation
None
6. Student Body Activities
None
7. Enrollment Counts and Submission to the Department
None
8. Facilities and Capital Assets
None
9. Miscellaneous
None
10. Status of Prior Year's Findings/Recommendations

This was the first year of operations for the Charter School, therefore, there were no prior year audit findings or recommendations.