

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
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November 20, 2015

The Honorable President and Members
of the Board of Trustees
The Elysian Charter School of Hoboken
Hoboken, 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 Elysian Charter School of Hoboken for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 20, 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 20, 2015, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed the comments, recommendations 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 and suggestions.

This report is intended solely for the information and use of The Elysian Charter School of Hoboken'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

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

Scope of Audit

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

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>
Robert Doria	Business Administrator	\$ 150,000
Diane Macon	Business Manager	\$ 150,000

There is a Public Employees' Faithful Performance Blanket Position Bond through the New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$100,000. Surety Bond coverage was not obtained for the Treasurer of School Moneys as required by Statute. However as coverage has been obtained by the date of this audit report, no formal recommendation is deemed warranted.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the charter school and fees for a before and 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 except as noted herein:

Finding:

During our testing it was noted that funds were released prior to obtaining all required signatures on vouchers.

Recommendation:

It is recommended that all required signatures on vouchers be obtained prior to the release of funds.

Management Response:

New personnel is in place to maintain all vouchers and confirm all required signatures are obtained.

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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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.

All payrolls were approved by the Director and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Director.

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

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.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, 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. 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.

Finding:

During our review of the Board Secretary's records it was noted that the District does not utilize the *Uniform Minimum Chart of Accounts for New Jersey Public Schools*. According to N.J.S.A. 18A:4-14 all schools are required to report expenditures in accordance with the financial accounts and classifications established by the National Center of Educational Statistics and the New Jersey Minimum Chart of Accounts.

Recommendation:

It is recommended that the school utilize the *Uniform Minimum Chart of Accounts for New Jersey Public Schools*, to be in conformity with N.J.S.A. 18A:4-14.

Management Response:

The Board Secretary will ensure the accounting records will be updated and in conformity with the *Uniform Minimum Chart of Accounts for New Jersey Public Schools*.

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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Treasurer's Records

In planning and performing our audit of the financial statements of the Charter School 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 procedure 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 District'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.

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

The T.P.A.F. Reimbursement to the State for the Federal Salary Expenditures was not remitted to the State of New Jersey prior to the required deadline of October 1, 2015. The reimbursement form was reviewed and no exceptions were noted.

Finding:

During our review of the T.P.A.F. Reimbursement to the State for federal salary expenditures it was noted that it was not remitted to the State of New Jersey prior to the October 1 deadline.

Recommendation:

It is recommended that the school submit the T.P.A.F. Reimbursement to the State for the federal salary expenditures prior to the October 1 deadline.

Management Response:

The Board Secretary will ensure the T.P.A.F. Reimbursement to the State for the federal salary expenditures is submitted prior to the October 1st deadline.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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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.

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.

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.

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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School Purchasing Programs (Cont'd)

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

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*.

School Food Service

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts were reviewed on a test basis. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. Food Service accounting records are maintained by the Charter School's central administration office.

Cash receipts and bank records were reviewed for timely deposit.

The school utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified on a test basis. Inventory is not maintained by the Charter School.

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.

Finding

Net cash resources of the Food Service Fund exceeded three months average expenditures.

Recommendation

It is recommended that the Food Service Fund net cash resources should not exceed three months average expenditures.

Management's Response

District is in the process of reviewing the Food Service Fund and will reduce net cash resources.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement vouchers 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 did not exceed the number of valid applications on file, multiplied by the number of operating days. The free and reduced price meal policy is uniformly administered. The required verification procedures for free and reduced price applications were completed and available for review.

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

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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FISCAL YEAR ENDED JUNE 30, 2015

Student Body Activities

In planning and performing our audit of the financial statements of the Charter School, 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.

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, bilingual and low income students 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. The information included on the workpapers was verified on a test basis. The results of our procedures are presented in the Schedule of Audited Enrollments.

Facilities and Capital Assets

Our procedures included a review of the capital assets of the Charter School. Based on these procedures, we have no comments except as noted herein.

Miscellaneous

Travel:

Travel regulations require each Charter 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 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 Director 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.

Before and After School Fund:

Our audit procedures included a review of the financial transactions of the Before and After Care Program. Based on these procedures, we have no comments except as noted herein.

Management Suggestions

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.

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
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Management Suggestions (Cont'd)

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.

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.

Status of Prior Year's Findings/Recommendations

The prior year audit findings and recommendations regarding the Before and After Care Program were corrected.

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
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 Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors
Full Day Kindergarten	32	32		16	16		16	
Grade One	32	32		16	16		16	
Grade Two	32	32		16	16		16	
Grade Three	32	32		16	16		16	
Grade Four	32	32		16	16		16	
Grade Five	32	32		16	16		16	
Grade Six	32	32		16	16		16	
Grade Seven	32	32		16	16		16	
Grade Eight	32	32		16	16		16	
Totals	<u>288</u>	<u>288</u>	<u>- 0 -</u>	<u>144</u>	<u>144</u>	<u>- 0 -</u>	<u>144</u>	<u>- 0 -</u>
Percentage Error			<u>0%</u>			<u>0%</u>		<u>0%</u>

Grades	Low Income	Verified Documentation	Errors	Bilingual	Verified Documentation	Errors
Full Day Kindergarten	4	4		1	1	
Grade Three	2	2		1	1	
Grade Four	5	5				
Grade Five	4	4				
Grade Six	3	3				
Grade Seven	6	6				
Grade Eight	7	7				
Totals	<u>35</u>	<u>35</u>	<u>- 0 -</u>	<u>4</u>	<u>4</u>	<u>- 0 -</u>
Percentage Error			<u>0%</u>			<u>0%</u>

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled
Full Day Kindergarten	32	32		16	16		16
Grade One	32	32		16	16		16
Grade Two	32	32		16	16		16
Grade Three	32	32		16	16		16
Grade Four	32	32		16	16		16
Grade Five	32	32		16	16		16
Grade Six	32	32		16	16		16
Grade Seven	32	32		16	16		16
Grade Eight	32	32		16	16		16
Totals	<u>288</u>	<u>288</u>	<u>- 0 -</u>	<u>144</u>	<u>144</u>	<u>- 0 -</u>	<u>144</u>
Percentage Error			<u>0%</u>			<u>0%</u>	

Grades	Low Income	Verified Documentation	Errors	Bilingual	Verified Documentation
Full Day Kindergarten	4	4		1	1
Grade Two	4	4		2	2
Grade Three	2	2		1	1
Grade Four	5	5			
Grade Five	4	4			
Grade Six	3	3			
Grade Seven	6	6			
Grade Eight	7	7		1	1
Totals	<u>35</u>	<u>35</u>	<u>- 0 -</u>	<u>5</u>	<u>5</u>
Percentage Error			<u>0%</u>		

THE ELYSIAN CHARTER SCHOOL OF HOBOKEN
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2015

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
 - A) All required signatures on vouchers be obtained prior to the release of funds.
 - B) The school utilize the *Uniform Minimum Chart of Accounts for New Jersey Public Schools*, to be in conformity with N.J.S.A. 18A:4-14.
 - C) The school submit the T.P.A.F. Reimbursement prior to October 1 deadline.
3. School Purchasing Program
None
4. School Food Service
Net cash resources should not exceed three months average expenditures.
5. Student Body Activities
None
6. Enrollment Counts and Submission to the Department
None
7. Capital Assets
None
8. Miscellaneous
None
9. Status of Prior Year's Findings/Recommendations
The prior year audit findings and recommendations regarding the Before and After Care Program were resolved in the current year.