

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

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CliftonLarsonAllen LLP
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Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Mastery Schools of Camden, Inc.
County of Camden, 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 the Mastery Schools of Camden, Inc. in the County of Camden for the year ended June 30, 2016, and have issued our report thereon dated October 14, 2016.

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 report is intended for the information of the Mastery Schools of Camden, Inc. Board of Trustee's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

A stylized, handwritten-style signature of 'CliftonLarsonAllen LLP' in black ink.

CliftonLarsonAllen LLP
Plymouth Meeting, Pennsylvania

A handwritten signature of 'Bruce W. Braunewell' in black ink.

Bruce W. Braunewell, CPA
Public School Accountant
PSA #20CS00261400

October 14, 2016

Administrative Findings - Financial, Compliance and Performance

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, and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the school district or charter school or renaissance school project CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
James Leonard	School Business Administrator	\$ 500,000
Joseph Ferguson	Secretary	\$ 500,000

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 board were processed through Payroll Accounts. Employees' payroll deductions and employer's share of fringe benefits were submitted using an outside payroll company to process payroll and deductions.

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

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

Accounts Payable

A review of outstanding payables was made as of June 30 for proper classification of orders for accounts payable. No discrepancies were noted.

Travel

The district/charter school/renaissance school project did have an approved board travel policy as required by *N.J.A.C. 6A:23A-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: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 state 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 zero percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

No exceptions noted.

B. Administrative Classification Findings

No exceptions noted.

Board and Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary did not disclose any new exceptions during the current year.

Treasurer's Records

Not Applicable.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools 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 the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

No exceptions noted.

Other Special Federal and/or State Projects

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.

I.D.E.A. Part B

Not Applicable.

T.P.A.F. Reimbursement

Our audit procedures included a test and review of the calculation of the T.P.A.F. reimbursement for the current fiscal year. As of June 30, 2016, Mastery Schools of Camden, Inc. (School) has not been approved to be included in the Teacher's Pension and Annuity Fund (TPAF). As stated by N.J.S.A. 18A:66-90, the School will be reimbursed for the expenses incurred for the Social Security and FICA cost for Full-Time TPAF employees. The reimbursement was estimated based on the number of Full-Time employees that would be eligible under the TPAF plan once the School is approved. Due to the uncertainty of the School being approved for the TPAF, management has reserved the full amount of the estimated reimbursement.

No exceptions were noted.

Nonpublic State Aid

Not Applicable.

School Purchasing Programs

Not Applicable.

School Food Service

Not Applicable.

Student Body Activities

Not Applicable.

Enrollment counts and related submissions to the Department or by the renaissance school project to the renaissance school district

Our audit procedures included a test of enrollment information on October 15, 2015 and the last day (if applicable) of school for on-roll, special education, bilingual and low-income. Our review of the enrollment counts and related submission did not disclose any exceptions during the current year. During the testing of the student files for the 5 Mastery Schools of Camden campuses, we identified missing information that should be included in the student files. Below is a summary of the missing information:

- 9 missing address verifications
- 3 IEP forms with missing signatures
- 1 missing IEP forms

Recommendations:

We recommend school management review the student files to determine appropriate documentation is included in the files. In addition, school management review file documentation to determine the appropriate signatures are included by the student's family and school personnel.

Management Response:

Management is committed to assuring that proper documentation is included in each student file and periodically reviews the student files at each campus. The 2015-16 school year was the first year Mastery Schools of Camden operated Molina, McGraw and East Camden Campuses. The School expected that complete student files would be received from the Camden City School District (CCSD) for students who were enrolled at Molina, McGraw and East Camden during the 2014-15 school year. The exchange of student files between CCSD and the School was not completed until mid-December 2015, and not all the files received from CCSD were complete. Due to this delay in receipt of student files from CCSD, we were not able to complete some of the student files (i.e., for students who withdrew from the School prior to December 2015).

- Of the 9 Molina student files reported to be missing address verifications, 7 students had withdrawn by November 17, 2015 and an 8th student on January 13, 2016. The one missing address verification was updated and added to the student file on October 7, 2016.
- All of the IEP forms have been identified; one student withdrew on October 13, 2015, so the form from CCSD was not able to be signed. The two other IEP forms missing signatures and the one missing IEP form have been completed and added to the appropriate student files.

To further ensure the accuracy and completeness of student files, we have implemented an electronic filing system to serve as a managed backup and retrieval system to store student enrollment documents. School staff, under the direction of the Assistant School Leaders for Operations and Specialized Services, scan student documents into a shared, secured, network drive. Additional oversight is provided on an ongoing basis by the Network Compliance Manager who regularly audits the electronic filing system to ensure completeness and accuracy of the student records.

Miscellaneous

Not Applicable.

Follow-up on Prior Year Findings

Finding 2015-001:

It was noted that although the board was approving the budget to actual reports monthly along with approving all payroll and invoices, the approval requirement for transfers between line items before over-expenditure occurred was not being met.

Update for current year:

This finding has been resolved in the current year. No additional exceptions noted in the testing completed.

Acknowledgment

We received the complete cooperation of all the officials of the renaissance school project and I greatly appreciate the courtesies extended to the members of the audit team.

MASTERY SCHOOLS OF CAMDEN, INC.
ENROLLMENT COUNT AS OF OCTOBER 15, 2015
FOR YEAR ENDED JUNE 30, 2016

ENROLLMENT COUNT AS OF OCTOBER 15, 2015

<u>1</u>		<u>2</u>										<u>2a.</u>	<u>2b.</u>	<u>3</u>	<u>3a.</u>	
Submission to		Sample														
District reported	Reported on	Verified signed	Verified #		Special Ed/	Verified	Verified # days		Low	Verified						
Grades	On Roll	workpapers	registration forms	Errors	days enrolled	Errors	Bilingual	documentation	Errors	Service Provided	Errors	Income	documentation	Errors		
Kindergarten	88	88	88	0	88	0	17	17	0	17	0	86	86	0		
One	101	101	101	0	101	0	20	20	0	20	0	100	100	0		
Two	81	81	80	1	81	0	18	18	1	18	0	81	81	0		
Three	92	92	90	2	92	0	29	29	1	29	0	89	89	0		
Four	89	89	88	1	89	0	23	23	1	23	0	87	87	0		
Five	70	70	69	1	70	0	22	22	0	22	0	70	70	0		
Six	67	67	67	0	67	0	24	24	1	24	0	64	64	0		
Seven	69	69	69	0	69	0	22	22	0	22	0	62	62	0		
Eight	45	45	45	0	45	0	12	12	0	12	0	38	38	0		
Nine																
Ten																
Eleven																
Twelve																
Total	702	702	697	5	702	0	187	187	4	187	0	677	677	0		
Percentage				0.7%		0.0%			2.1%		0.0%			0.0%		

**MASTERY SCHOOLS OF CAMDEN, INC.
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL
FOR YEAR ENDED JUNE 30, 2016**

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2016

<u>1</u>		<u>2</u>										<u>2a.</u>	<u>2b.</u>	<u>3</u>	<u>3a.</u>
Submission to		Sample													
District reported	Reported on	Verified signed	Verified #		Special Ed/	Verified	Verified # days		Low	Verified					
Grades	On Roll	workpapers	registration forms	Errors	days enrolled	Errors	Bilingual	documentation	Errors	Service Provided	Errors	Income	documentation	Errors	
Kindergarten	88	88	88	0	88	0	21	21	0	21	0	85	85	0	
One	102	102	101	1	102	0	23	23	0	23	0	98	98	0	
Two	81	81	81	0	81	0	20	20	0	20	0	79	79	0	
Three	89	89	87	2	89	0	28	28	0	28	0	83	83	0	
Four	87	87	87	0	87	0	23	23	0	23	0	85	85	0	
Five	68	68	67	1	68	0	23	23	0	23	0	66	66	0	
Six	66	66	66	0	66	0	22	22	0	22	0	63	63	0	
Seven	71	71	71	0	71	0	23	23	0	23	0	65	65	0	
Eight	43	43	43	0	43	0	10	10	0	10	0	40	40	0	
Nine															
Ten															
Eleven															
Twelve															
Total	695	695	691	4	695	0	193	193	0	193	0	664	664	0	
Percentage				0.6%		0.0%			0.0%		0.0%			0.0%	

MASTERY SCHOOLS OF CAMDEN, INC.
EXCESS SURPLUS CALCULATION
JUNE 30, 2015

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 23,746,102	(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		- (B2a)
Assets Acquired Under Capital Leases	(344,284)	(B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	23,401,818	(B3)
2% of Adjusted 2015-16 General Fund Expenditures		
[(B3) times .02]	468,036	(B4)
Enter Greater of (B4) or \$250,000	250,000	(B5)
Increased by: Allowable Adjustment *		- (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 250,000	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2016		
(Per CAFR Budgetary Comparison Schedule C-1)	72,636	(C)
Decreased by:		
Year-end Encumbrances		- (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)]	\$ 72,636	(U1)