

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

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

JUNE 30, 2016

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of Board of Trustees
Barack Obama Green Charter High School
County of Union, 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 Barack Obama Green Charter High School (the Charter High School) in the County of Essex, State of New Jersey for the period from inception through June 30, 2016, and have issued our report thereon dated November 13, 2016.

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 High 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.

A handwritten signature in cursive script that reads 'Leonora Galleros'.

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

A handwritten signature in cursive script that reads 'Galleros Koh LLP'.

November 10, 2016
Cream Ridge, New Jersey

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, 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 Barack Obama Green Charter High School (the "Charter High School"), and the records of the various funds under the auspices of the Charter High School.

Administrative Practices and Procedures

Insurance

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

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

School Leaders Errors and Omissions Liability Insurance Coverage were carried for all members of the board of Trustees with coverage for each wrongful act of \$100,000. There is an Employee's Faithful Performance Blanket Position Bond Policy covering the Board Secretary and Treasurer for \$150,000 each and \$25,000 for all other employees.

Tuition Charges

A review of the financial statements indicated that the Charter High School charged no tuition for any student attending the Charter High 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 exceptions were 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 School Leader and were certified by the President of the Board and the School Business Administrator. In addition, salary withholdings were remitted to the proper agencies.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

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 and Accounts Payable and no exceptions were noted.

Travel Policy

The Charter School has an approved board travel policy 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 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 .07% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification. No exceptions were noted.

Finding No. 2016-001*

During our audit, we noted that total instructional expenditures is less than 60% of the Charter High School total expenditures for fiscal year 2015-2016.

Recommendation

We recommend that the Charter High School increased its instructional expenditures to achieve the required ratio of instructional expenditures ratio at 60% of total expenditures.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Business Office and noted the following exceptions:

Finding No. 2016-002

In our review of payroll expenditures and related personnel files, we noted two employees whose contracts were executed later than the employment start date. Further, we noted one employee who is eligible to participate in the NJ pension system but was unenrolled.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting – Continued

Board Secretary's Records - Continued

Finding No. 2016-002 - continued

Recommendation

We recommend that the Charter High School execute employment contracts prior to start dates and copies maintained in personnel files. Enrollment to the NJ Pension System of eligible employees should be made upon eligibility.

Treasurer's Records

Our review of treasurer's records disclosed that cash accounts were prepared and reconciled monthly which are submitted to the Board of Trustees each month. However, it was noted that average total deposits may at times exceed the maximum FDIC coverage of \$250,000 per depositor.

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 High 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. However, we noted the following exception:

Finding No. 2016-003

During our review of outstanding receivables at June 30, 2016, it was noted that a total amount of \$90,894 remained uncollected. This was the outstanding reimbursement due from a grant recognized during fiscal year 2015 for expenditures incurred related to the Workforce Program. During 2016, attempts were made to collect the reimbursement and program reports were submitted. However, the funding agency has not approved any payment as of the report date.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting – Continued

Other Special Federal and/or State Projects - Continued

Finding No. 2016-003 - continued

Recommendation

We recommend that the Charter High School follow-up with the funding agency to collect the reimbursement owed and evaluate the collectability of the claim and write-off the receivables if collection is unlikely.

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 High School employees who are members of the Teacher's Pension Annuity Fund. No exception was noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

Finding 2016-004

The amount of expenditure charged to the current year's Final Reports for all federal awards to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was paid subsequent to the end of the 90-day grant liquidation period required by the Office of Grants Management and *N.J.S.A. 18A:66-90*.

Recommendation

The Charter School is to remit payment within the 60-day grant liquidation period and/or certainly within the statutory 90-day liquidation period. Pursuant to *N.J.S.A. 18A:66-90*, the reimbursement must be made by October 1 following the fiscal year end.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$18,800 for 2015-16.

“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 \$29,000 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.”

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 question arise as to whether any contract or agreement might result in violation of the statute, the School Legal Counsel’s opinion should be sought before a commitment is made.

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*.

The following exceptions are noted:

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

School Purchasing Programs - Continued

Finding No. 2016-004

In our review of sixty cash disbursements and the related supporting documents, we noted the following:

- Payments to two vendors (Barnes & Nobles and Pearson Education) exceeded the approved purchase order amounts.
- 13 cash disbursements have vendor invoices dated earlier than the approved purchase orders. These instances are non-compliance with standing policies and purchasing procedures in place on checking availability of funds before the purchase
- Payments to two professional service vendors exceeded the contract amounts. However, there was no contract amendment or approved changed order on file to support the amounts paid.
- For a project management services contract for the Charter School facility project, there was no publicly advertised request for bids. It should be noted that management were able to obtained two proposals. One vendor was invited to made a presentation to the board in its February 2016 meeting. However, there was no record in the minutes to acknowledge the other proposer or resolution passed to award the contract to the successful proposer, Northstar Advisors, LLC. Total payments to the selected vendor were \$16,334 through June 30, 2016. The facility project was subsequently discontinued by management and the Board. Total costs expended for services and fees related to the facility project through June 30, 2016 was \$168,692.

Recommendation

We recommend that the Charter High School to comply with purchasing policies and adhere to procedures related to purchasing and payments.

School Food Service

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

Charter School Enrollment System/Charter School Aid

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 High School's procedures related to its completion and noted the following:

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

Charter School Enrollment System/Charter School Aid - Continued

Finding No. 2016-006

There was one student file that could not be located and one student file did not include proof of address.

Recommendation

We recommend that the Charter High School continues to review the student files to ensure completeness.

Finding No. 2016-007

In our review of lunch applications on file and entries in the NJ CHE, we noted that three students were classified as "Paid" instead of "Reduced or Free"; and a student was classified as "Free" instead of "Paid" in the CHE. It should be noted that the determination was correctly made based on the master eligibility list maintained by the Charter High School.

Recommendation

We recommend enhancing review procedures on CHE entries against the master eligibility list.

Student Body Activities

We reviewed the student activities and the related records. We noted that a separate bank account was established to account for student activities. No exception noted.

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 with an asterisk as repeat findings in this year's recommendation.

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
COUNTY OF UNION, NEW JERSEY**

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

Acknowledgment

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

Respectfully submitted,

A handwritten signature in black ink that reads "Leonora Galleros". The signature is written in a cursive, flowing style.

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

November 10, 2016
Cream Ridge, New Jersey

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2015**

Submission to														
Grades	CHE reported On Roll	Reported on Workpapers	Verified Signed		Verified #		Special Ed/ Bilingual	Verified documentation	Errors	Verified #		Low Income	Verified	
			Registration Forms	Errors	Days Enrolled	Errors				Days Service Provided	Errors		documentation	Errors
Ninth	68	68	68	-	185	-	1	1	-	185	-	54	55	(1)
Tenth	55	55	55	-	185	-	10	10	-	185	-	46	46	-
Eleventh	65	65	65	-	185	-	6	6	-	185	-	48	49	(1)
Twelveth	44	44	44	-	185	-	2	2	-	185	-	27	27	-
Total	232	232	232	-	740	-	19	19	-	740	-	175	177	(2)
Percentage				0.0%		0.0%			0.0%		0.0%			-1.1%

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2016**

Submission to															
Grades	CHE reported On Roll	Reported on Workpapers	Verified Signed			Verified #			Verified #			Low Income	Verified		
			Registration Forms	Errors	Days Enrolled	Special Ed/ Bilingual	Verified documentation	Errors	Days Service Provided	Errors	documentation		Errors		
Ninth	70	70	70	-	186	1	1	-	186	-	53	54	(1)		
Tenth	53	53	53	-	186	9	9	-	186	-	44	44	-		
Eleventh	65	65	65	-	186	6	6	-	186	-	47	48	(1)		
Twelveth	45	44	44	1	186	2	2	-	186	-	29	29	-		
Total	233	232	232	1	744	-	18	18	-	744	-	173	175	(2)	
Percentage				0.4%		0.0%			0.0%		0.0%			-1.2%	

**BARACK OBAMA GREEN CHARTER HIGH SCHOOL
(COUNTY OF UNION, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2016

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>3,958,078</u>	(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	\$ <u>271,194</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>3,686,884</u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ <u>73,738</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>250,000</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>944,908</u>	(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)]	\$ <u>944,908</u>	(U1)
Excess Surplus at June 30, 2016	\$ <u>694,908</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, 2015

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