

**INDEPENDENT AUDITORS MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**JERSEY CITY GLOBAL
CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

JUNE 30, 2016

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of Board of Trustees
Jersey City Global Charter School
County of Hudson, 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 Jersey City Global Charter School (the "Charter School") in the County of Hudson, State of New Jersey for the year ended June 30, 2016, and have issued our report thereon dated November 15, 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 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.

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

November 15, 2016
Cream Ridge, New Jersey

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, 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 Visions Academy Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Insurance

Required insurance coverages are carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Bima Baje	School Business Administrator	\$100,000

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter 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. We noted the following:

Finding 2016-001

In our review of cash disbursements and various transactions comprising certain expenditure amounts, we noted the following:

- a. There were ten claims that did not have purchase requisitions.
- b. There were nine claims that have purchase order dates that is the same or after the invoice/contract date.
- c. There was a claim that has a check written before the invoice date.
- d. There were nine claims that did not have invoices On the file.
- e. There were claims that did not have vendor declaration.

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - continued

Examination of Claims (continued)

Recommendation

We recommend review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School's purchasing policy.

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 designee of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator. In addition, salary withholdings were remitted to the proper agencies.

Finding No. 2016-002

Employment contract for sample employees were not on file and therefore were not provided during the audit. Upon further inquiry, it was indicated that the past School Business Administrator maintained the employment agreements but filed documents could not be located for review.

Recommendation

Signed Annual employee contracts should be maintained by the Charter School filed and kept in the personnel files.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2016, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable. No exception was noted in this area.

Travel Policy

A travel policy was adopted by the Board as required by *N.J.A.C. 6A:23A A-6.13* and *N.J.S.A. 18A:11-12*.

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

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 and Single Audit 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 0.017% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Finding No. 2016-003

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

Recommendation

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

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval.

Treasurer's Records

Finding No. 2016-004

In our review of the Treasurer's reports for the fiscal year 2016, we noted that the reports had amounts that did not reconcile to amounts on the Board Secretary's reports. However, we noted that by year-end the cash balances were corrected and reconciled.

Recommendation

Treasurer should determine cash balances by performing cash reconciliations on a monthly basis. The monthly reports should be presented at Board Meetings and kept in the file.

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

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 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.

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 biweekly reimbursements filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for Charter School 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 made subsequent to the end of the 60-day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

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.

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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

School Purchasing Programs - Continued

The district board of education/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 arises 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 my examination, I 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.

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

School Food Service

The Charter School food service is administered by the Jersey City Public Schools (School District). The financial transactions, lunch applications for free and reduced meals, and statistical records related to the school food service are maintained by the School District.

Enrollment Count and Submission to the Department

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 School's procedures related to its completion. We noted the exceptions noted below.

Finding No. 2016-005 (CAFR Finding 2016-001)

In our review of enrollment information as reported in State's system and as per school records, we noted the following:

- a. There was one student included in CHE for which the Charter School was not able to provide a student file.
- b. There were four students included in CHE that did not have birth certificates on file.
- c. There were three students that were included in CHE twice.

Recommendation

We recommend that the Charter School reviews the CHE entries and agree to student information on file. Reconciliation and review procedures of information should also be conducted on a periodic basis.

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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

Enrollment Count and Submission to the Department - Continued

Finding No. 2016-006 (CAFR Finding 2016-001)

Condition

There was one student classified as SpEd in CHE but the student does not have an IEP and was never classified as a SpEd student. There were eight students who received Speech related services, correctly reported as SpEd students but not classified as receiving Speech-related services in CHE.

Recommendation

The Charter School must implement procedures to ensure proper reporting of Special Education students in the CHE.

Finding No. 2016-007 (CAFR Finding 2016-001)

During our review of attendance, we noted the following:

- a. The Charter School reported full Average Daily Enrollment (ADE) for 16 students who had actual ADE of less than 50%.
- b. The Charter School only reported 20% ADE for two students who had actual ADE of more than 90%.
- c. There were 21 students that were not included in CHE but had an actual ADE of 60% and higher.

Recommendation

The Charter School must make a concerted effort in updating the CHE based on actual enrollment and attendance data.

**JERSEY CITY GLOBAL CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY**

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

Facilities and Capital Assets

Finding No. 2016-008

The Charter School does not have a complete inventory records of assets. It has a listing of technology equipment but not for other fixed assets purchased during fiscal year 2016 and in prior the prior years.

Recommendation

We recommend that the Charter School maintain inventory records of its fixed assets to better track and safeguard its assets.

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Repeat recommendations are identified with an asterisk (*). All other recommendations had been addressed through corrective actions.

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.

Respectfully submitted,



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

November 15, 2016
Cream Ridge, New Jersey

**JERSEY CITY GLOBAL CHARTER 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 registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors	
K	73	73	72	1	185	-	-	-	-	185	-	5	4	1	
1	75	75	75	-	185	-	2	2	-	185	-	6	6	-	
2	59	59	58	1	185	-	2	2	-	185	-	15	14	1	
3	56	56	56	-	185	-	6	5	1	185	-	22	22	-	
4	45	45	43	2	185	-	2	2	-	185	-	17	17	-	
Total	308	308	304	4	925	-	12	11	1	925	-	65	63	2	
Percentage				1.3%		0.0%			8.3%		0.0%			3.1%	

**JERSEY CITY GLOBAL CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2016**

Submission to [REDACTED]															
Grades	CHE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors	
K	74	74	73	1	184	-	-	-	-	184	-	5	4	1	
1	76	76	76	-	184	-	2	2	-	184	-	6	6	-	
2	61	61	60	1	184	-	2	2	-	184	-	15	14	1	
3	57	57	57	-	184	-	6	5	1	184	-	22	22	-	
4	46	46	44	2	184	-	2	2	-	184	-	17	17	-	
Total	314	314	310	4	920	-	12	11	1	920	-	65	63	2	
Percentage				1.3%		0.0%			8.3%		0.0%			3.1%	

**JERSEY CITY GLOBAL CHARTER SCHOOL
(COUNTY OF HUDSON, 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>2,827,074</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>85,204</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>2,741,870</u> (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ <u>54,837</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>167,653</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>167,653</u> (U1)
Excess Surplus at June 30, 2016	\$ <u>(82,347)</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, 2016

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

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."