

SUSSEX COUNTY CHARTER SCHOOL  
FOR TECHNOLOGY  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017  
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September 18, 2017

The Honorable President and Members  
of the Board of Trustees  
Sussex County Charter School for Technology  
County of Sussex, 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 Sussex County Charter School for Technology for the year ended June 30, 2017, and have issued our report thereon dated September 18, 2017.

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 September 18, 2017, 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 Sussex County Charter School for Technology'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

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017

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

Fire 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> |
|-----------------|---|-----------------|
| Candace Leatham | Treasurer                                     | \$ 125,000      |
| Stephen Kepnes  | Board Secretary/School Business Administrator | 125,000         |

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 Executive Director and certified by the President of the Board and School Business Administrator and Executive 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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, 2017 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.

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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

T.P.A.F. 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 were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2017. The reimbursement form was reviewed and no exceptions were noted.

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, 2015 and thereafter 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 currently \$18,800.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

School Purchasing Programs (Cont'd)

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

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.

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 Charter School entered into an agreement to consolidate food service operations with Sussex County Technical School serving as the administrative agency in 1997. The food service operations are operated as part of the Technical School lunch program, with all revenue, expenses and food inventories being maintained by Sussex County Technical School.

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 14, 2016 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 without exception. 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.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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.

Management Suggestions:

Governmental Accounting Standards Board Statements:

The next Governmental Accounting Standards Board (“GASB”) statement which will have a significant impact on the Charter School 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.

Student Activities

It has recently been determined that Charter School personnel may not be completely aware of the limitations and restrictions on the use of Student Activity Funds. We believe it is important that the Charter School be aware that any pupil organization which is part of the activity program of the Charter School, places at least indirect responsibility for supervision and control of that organization with the Board of Education. We suggest that the Board formally approve each school club or activity. As directed by the New Jersey Department of Education, collections related to fund raising for outside organizations should not be maintained in the Charter School’s Student Activity Funds.

Additionally, the Charter School should ensure that Charter School-wide standard policies and procedures are implemented for all Student Activity Funds. These policies should indicate the student activities funds are to be utilized for the benefit of the student activity or club and not to be utilized for enhancement of instructional programs or school facilities. The Charter School should at least at a minimum communicate to school personnel on an annual basis the Charter School’s policies and procedures regarding Student Activity Funds. We suggest that these policies include guidance regarding timely deposits of funds and the safeguarding of funds prior to deposit as well as the appropriate purchasing guidelines for student activities disbursements.



SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

Status of Prior Year's Findings/Recommendations

There were no prior year audit findings or recommendations.

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
SCHEDULE OF MEAL COUNT ACTIVITY  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(MEMORANDUM ONLY)

NOT APPLICABLE

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
SCHEDULE OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(MEMORANDUM ONLY)

NOT APPLICABLE

SUSSEX CHARTER SCHOOL FOR TECHNOLOGY  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF OCTOBER 14, 2016

| Grades           | Submission to DOE Reported on Roll | Reported on Workpapers | Errors | Sample Selected | Verified                  |                    | Errors | Verified # Days Enrolled | Errors | Low Income | Selected Low Income | Verified Documentation | Errors |
|------------------|------------------------------------|------------------------|--------|-----------------|---------------------------|--------------------|--------|--------------------------|--------|------------|---------------------|------------------------|--------|
|                  |                                    |                        |        |                 | Signed Registration Forms | Registration Forms |        |                          |        |            |                     |                        |        |
| Six              | 58                                 | 58                     |        | 8               | 8                         | 8                  |        | 8                        |        | 2          | 2                   | 2                      |        |
| Seven            | 80                                 | 80                     |        | 8               | 8                         | 8                  |        | 8                        |        | 8          | 3                   | 3                      |        |
| Eight            | 75                                 | 75                     |        | 8               | 8                         | 8                  |        | 8                        |        | 11         | 3                   | 3                      |        |
| Totals           | 213                                | 213                    | - 0 -  | 24              | 24                        | 24                 | - 0 -  | 24                       | - 0 -  | 21         | 8                   | 8                      | - 0 -  |
| Percentage Error |                                    |                        | 0%     |                 |                           |                    | 0%     |                          |        |            |                     |                        | 0%     |

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2017

| Grades           | Submission to DOE Reported on Roll | Reported on Workpapers | Errors | Sample Selected | Verified                  |                    | Errors | Verified # Days Enrolled | Errors | Low Income | Selected Low Income | Verified Documentation | Errors |
|------------------|------------------------------------|------------------------|--------|-----------------|---------------------------|--------------------|--------|--------------------------|--------|------------|---------------------|------------------------|--------|
|                  |                                    |                        |        |                 | Signed Registration Forms | Registration Forms |        |                          |        |            |                     |                        |        |
| Six              | 65                                 | 65                     |        | 7               | 7                         | 7                  |        | 7                        |        | 2          | 2                   | 2                      |        |
| Seven            | 74                                 | 74                     |        | 8               | 8                         | 8                  |        | 8                        |        | 8          | 3                   | 3                      |        |
| Eight            | 77                                 | 77                     |        | 8               | 8                         | 8                  |        | 8                        |        | 11         | 3                   | 3                      |        |
| Totals           | 216                                | 216                    | - 0 -  | 23              | 23                        | 23                 | - 0 -  | 23                       | - 0 -  | 21         | 8                   | 8                      | - 0 -  |
| Percentage Error |                                    |                        | 0%     |                 |                           |                    | 0%     |                          |        |            |                     |                        | 0%     |

SUSSEX COUNTY CHARTER SCHOOL FOR TECHNOLOGY  
SUMMARY OF RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2017

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  
There were no prior year audit findings or recommendations.