

**AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE**

of the

**Unity Charter School
Morristown, New Jersey**

For the Fiscal Year Ended June 30, 2017

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Vincent M. Montanino, RMA, PSA

Report of Independent Auditors

Honorable President and
Members of the Board of Education
Unity Charter School
County of Morris, 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 Education of the Unity Charter School in the County of Morris for the year ended June 30, 2017, and have issued our report thereon dated December 12, 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 report is intended for the information of the Unity Charter School Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Vincent M. Montanino
Licensed Public School Accountant
No. 20CS000495

Ferraioli, Wielkotz, Cerullo & Cuva, PA

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

Newton, New Jersey

December 12, 2017



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 Monies, 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

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Katine M. Slunt	Business Administrator/Board Secretary (To 2/28/2017)	\$131,000.00
Jon Rheinhardt	Treasurer of School Monies	\$131,000.00

Treasurer of School Monies was bonded in accordance with provisions of Title 18A:17-32 within the minimum limits of State Board promulgated schedules.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any students attending the Charter School and all proceeds for a before/after school program were accounted for in an Enterprise Fund.

Financial Planning, Accounting and Reporting

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, endorsement for receipt of materials, allocated to the proper accounts, charged to the proper fiscal period and in agreement with bill list set forth in the approved minutes of the Board.

The review and inquiry indicate good scrutiny on the part of the Board and Board Officials regarding expenditures.

Financial Planning, Accounting and Reporting (Continued)

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and the Board's required payroll contributions were deposited in the Payroll Agency Account.

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

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

Payrolls were delivered to the Treasurer of School Moneys with a warrant made to his order for the full amount of each payroll.

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general Ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th for goods not yet received or services yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid orders included in the balance of accounts payable were reviewed for priority and to determine that goods were received and services were rendered as of June 30th.

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. 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 no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The prescribed contractual order system was followed.

All purchase orders tested were charged to the appropriate line accounts in accordance with the State prescribed Uniform Minimum Chart of Accounts (2R2) For New Jersey Public Schools.

Monthly certifications of line-item appropriations and fund status were filed in accordance with N.J.A.C. 6A:23A-16.10 and Division of Finance Policy Bulletin 200-11, through April of 2017.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes through April of 2017.

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

FINDING: 2017-001

The monthly certifications and receipt of monthly financial reports for the months of May and June 2017 were not approved until November of 2017.

RECOMMENDATION:

The Board Secretary and Treasurer monthly financial reports be maintained in accordance with Department of Education regulations as well as the Board Secretary's monthly certifications.

The general fixed asset records were updated by the Business Administrator for the additions and disposals of general fixed assets made during the year.

Treasurer's Records

The Treasurer performed cash reconciliations for the general operating account, payroll account and payroll agency account in accordance with N.J.S.A. 18A:17-36.

All cash receipts tested were promptly deposited.

The Treasurer's records were in agreement with the records of the Board Secretary.

Elementary and Secondary Education Act/Improving America's Schools Act 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 Title I of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district'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 amount claimed for reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term "competitive contracting", which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in the rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received". Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in section 45 of PL. 1999, c440 are desired to be contracted".

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) and 18A:39-3 (Transportation) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent) and \$18,800.00 respectively.

In accordance with N.J.S.A. 18A:18A-3(a), the Board of Education has increased the bid threshold from \$36,000.00 to 40,000.00.

It is pointed out that the Board of Trustees has the responsibility of determining whether the commitments and expenditures are in compliance with the statutes and, where question arises as to whether any contract or agreement might result in violation of these statutes the Board attorney's opinion should be sought before commitment is made.

Inasmuch as the system of records is not required to provide and therefore did not provide for an accumulation of payments by categories for the performance of any work or the furnishings 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 disclosed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the provision or performance of any goods or services," in excess of the statutory limit 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 is not required to provide and therefore did not provide for an accumulation of purchases for which the school board 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. Our examination did not reveal any purchases were made through the use of State contracts.

Enterprise Funds

During our review of the Food Service and After Care programs disclosed that the financial transactions and statistical records were maintained in satisfactory condition.

Exhibits reflecting the Food Service and After Care programs operations are included in the section entitled Proprietary Funds (Exhibits B-4, B-5 & B-6).

Student Activity/Fund Raising Accounts

Cash receipts and disbursement records were maintained in satisfactory condition.

All receipts were promptly deposited in the bank.

Payment authorizations were presented for audit and vendor invoices were available for examination.

The Board adopted a formal board policy that all financial and bookkeeping controls are adequate to ensure appropriate fiscal accountability and sound business practices.

Charter School Enrollment System/Charter School Aid

Our audit procedures included a test of enrollment information reported on October 14, 2016 and the last day of school for on-roll, special education, bilingual and low-income.

Status of Prior Years' Audit Findings/Recommendations

Not Applicable

Acknowledgment

We wish to express our appreciation for the assistance and courtesies extended to us by the charter school officials and employees during the course of our audit.

Respectfully submitted,



Vincent M. Montanino
Licensed Public School Accountant
License No. 20CS000495

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SCHEDULE OF MEAL COUNT ACTIVITY

BOARD OF EDUCATION
UNITY CHARTER SCHOOL

FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/Under Claim</u>
National School Lunch (Regular Rate)	Paid Reduced Free Total					
School Breakfast (Regular Rate)	Paid Reduced Free Total					
Special Milk	Paid Free Total					
Total net Overclaim						

UNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 14, 2016

Grades	Submitted To DOE On Roll	Reported on Workpapers	Verified Signed Registration	Verified # of Days		Spec. Ed/ Bilingual		Verified Doc.		Low Income	Verified Doc.	Errors
				Errors	Enrolled	Errors	Enrolled	Errors	Enrolled			
Kindergarten	27	13	13	0	13	0	0	0	0	3	3	0
One	28	14	14	0	14	0	1	1	0	2	2	0
Two	28	14	14	0	14	0	1	1	0	5	5	0
Three	26	13	13	0	13	0	4	4	0	4	4	0
Four	29	14	14	0	14	0	8	8	0	4	4	0
Five	25	13	13	0	13	0	7	7	0	4	4	0
Six	24	12	12	0	12	0	5	5	0	4	4	0
Seven	25	13	13	0	13	0	9	9	0	3	3	0
Eight	21	11	11	0	11	0	4	4	0	4	4	0
Nine												
Ten												
Eleven												
Twelve												
Totals	233	117	117	0	117	0	39	39	0	33	33	0
Percentage				0.0%		0.0%			0.0%			0.0%

**UNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 13, 2017**

Grades	Submitted To DOE On Roll	Reported on Workpapers	Verified Signed Registration	Verified # of Days		Spec. Ed/ Bilingual	Verified Doc.		Low Income	Verified # of Days		Verified Doc.	Errors
				Errors	Enrolled		Errors	Enrolled		Errors	Enrolled		
Kindergarten	26	13	13	0	13	0	0	0	3	0	0	3	0
One	27	14	14	0	14	2	2	0	2	0	2	2	0
Two	28	14	14	0	14	0	0	0	5	0	0	5	0
Three	27	13	13	0	13	4	4	0	3	0	4	3	0
Four	30	14	14	0	14	8	8	0	4	0	8	4	0
Five	24	13	13	0	13	6	6	0	4	0	6	4	0
Six	24	12	12	0	12	5	5	0	4	0	5	4	0
Seven	26	13	13	0	13	9	9	0	3	0	9	3	0
Eight	21	11	11	0	11	4	4	0	4	0	4	4	0
Nine													
Ten													
Eleven													
Twelve													
Totals	233	117	117	0	117	38	38	0	32	0	38	32	0
Percentage				0.0%		0.0%	0.0%	0.0%		0.0%			0.0%

RECOMMENDATIONS

1. Administrative Practices and Procedures – NONE

2. Financial Planning, Accounting and Reporting:

The Board Secretary and Treasurer monthly financial reports be maintained in accordance with Department of Education regulations as well as the Board Secretary's monthly certifications.

3. School Purchasing Program – NONE

4. School Food Service – NONE

5. Student Activity Funds – NONE

6. Facilities and Capital Assets – NONE

7. Enrollment Counts and Submissions to the Department – NONE

8. Miscellaneous – NONE

9. Status of Prior Years' Audit Findings/Recommendations

NOT APPLICABLE.