

**ROSEVILLE COMMUNITY
CHARTER SCHOOL
AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE FISCAL PERIOD ENDED JUNE 30, 2018**

**XI. AUDITORS MANAGEMENT REPORT ON ADMINISTRATION FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REPORT OF INDEPENDENT AUDITORS

The Honorable Chairman and
Members of the Board of Trustees
Roseville Community Charter School
County of Essex
Newark, New Jersey

I 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 Roseville Community Charter School, in the County of Essex, for the year ended June 30, 2018 and have issued my report thereon dated February 7, 2019.

As part of my audit, I 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 Roseville Community 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.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant

February 7, 2019

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

GENERAL COMMENTS

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 Trustee's, and the records of the various funds under the auspices of the Board of Trustee's.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in various amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR. This includes public official bonds.

Tuition Charges

A review of 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 did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Accounts

The net salaries of all employees of the School were deposited in the Payroll Account. Employees payroll deductions and employees share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the President of the Board and the Board Secretary/Business Administrator.

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

Payrolls were delivered to the Secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances, and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted during our review.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the *N.J.A.C. 6A:23A-16.2(f)* as part of my test of transactions of randomly selected expenditure items. I also reviewed the coding of all

expenditures included in my compliance and single audit testing procedures. In addition to randomly selecting a test sample, my 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 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

a) General Classification Findings

No exceptions or discrepancies were noted in the general classification of expenditures.

b) Administrative Classification Findings

No exceptions or discrepancies were noted in the administrative classification of expenditures.

Board Secretary's Records

My review of the financial and accounting records maintained by the business office disclosed no exceptions or discrepancies.

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 various Titles of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no following areas of compliance and/or questionable costs except as follows:

Other Special Federal and/or State Projects

The school's other Special and/or State Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

My 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 indicated no areas of non compliance.

T.P.A.F. Reimbursement

My audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the Roseville Community Charter School 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

NJ.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general (as of June 2007) is available on the website <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

Current statute is posted on the New Jersey Legislature website at:

http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801_&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

Bid thresholds in accordance with NJ.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 NJ.S.A. 18A:39-3 is currently \$18,300 for 2017-2018.

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 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 NJ.S.A. 18A: 18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per NJ.S.A. 18A:18A-5. My review of the contracts and agreements found that the school was in compliance as to bid advertisements and awards.

School Food Service

The financial transactions and statistical records of the School Food Services Fund were maintained in satisfactory condition. The financial accounts, meal count record and eligibility applications were reviewed on a test-check basis. The number of meals claimed for reimbursement was verified against meal count records. There were no modifications noted. Reimbursement vouchers were properly computed and timely filed.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the costs of food and supplies used.

The cash disbursement records reflected expenditures for program related goods and services. The cash disbursement records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the nonprofit status of the school food service.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

The school utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

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

No exceptions were noted, except as noted below:

Finding

It was noted that net cash resources did exceed three months average expenditures for the Food Service Fund.

Recommendation

The charter school must take steps to reduce the excess cash balance.

Enrollment Counts and Submissions to the Department

My audit procedures included a test for information reported on October 15, 2017, and the last day of school for on-roll, special education, bilingual and low-income. No exceptions were noted.

The Charter School maintained work papers on the prescribed state forms or their equivalent. In addition, the Charter School maintained written procedures that appear to be adequate for the recording of student enrollment data.

Follow-up on Prior Year Findings

There were no prior year findings.

ACKNOWLEDGEMENT

I received the complete cooperation of all the officials of the school and I greatly appreciate the courtesies extended to me.

Respectfully submitted,

A handwritten signature in black ink, reading "Gerald D. Longo". The signature is written in a cursive style with a large initial "G".

Gerald D. Longo
Certified Public Accountant
Licensed Public School Accountant No. 20CS00206400

ROSEVILLE COMMUNITY CHARTER SCHOOL
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND OVER/UNDER CLAIM
 June 30, 2018

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
NATIONAL SCHOOL LUNCH (HIGH RATE)	FREE	49,383	49,383	49,383	0	3.365	0
	REDUCED	0	0	0	0	2.965	0
	PAID	4,881	4,881	4,881	0	0.440	0
TOTALS		<u>54,264</u>	<u>54,264</u>	<u>54,264</u>	<u>0</u>		<u>0</u>

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
SCHOOL BREAKFAST (SEVERE RATE)	FREE	29,597	29,597	29,597	0	2.090	0
	REDUCED	0	0	0	0	1.790	0
	PAID	2,927	2,927	2,927	0	0.300	0
TOTALS		<u>32,524</u>	<u>32,524</u>	<u>32,524</u>	<u>0</u>		<u>0</u>

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
AFTER SCHOOL SNACKS	FREE	95	95	95	0	0.880	0
	REDUCED	0	0	0	0	0.440	0
	PAID	0	0	0	0	0.080	0
TOTALS		<u>95</u>	<u>95</u>	<u>95</u>	<u>0</u>		<u>0</u>

ROSEVILLE COMMUNITY CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2017

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE

GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMENTATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMENTATION	ERR
KINDERGARTEN	69	35	35	0	35	0	5	5	0	5	0	33	33	0
ONE	68	34	34	0	34	0	2	2	0	2	0	34	34	0
SECOND	64	32	32	0	32	0	2	2	0	2	0	30	30	0
THIRD	65	33	33	0	33	0	3	3	0	3	0	31	31	0
FOURTH	62	31	31	0	31	0	2	2	0	2	0	30	30	0
TOTAL	328	165	165	0	165	0	14	14	0	14	0	158	158	0
PERCENTAGE				0.00%		0.00%			0.00%		0.00%			0.00%

ROSEVILLE COMMUNITY CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE

GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMENTATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMENTATION	ERR
KINDERGARTEN	KINDERGART	69	34	34	0	34	4	4	0	4	0	33	33	0
ONE	ONE	68	34	34	0	34	1	1	0	1	0	34	34	0
SECOND	SECOND	64	32	32	0	32	1	1	0	1	0	30	30	0
THIRD	THIRD	65	32	32	0	32	3	3	0	3	0	30	30	0
	FOURTH	62	31	31	0	31	2	2	0	2	0	30	30	0
TOTAL	TOTAL	328	163	163	0	163	11	11	0	11	0	157	157	0
PERCENTAGE	PERCENTAGE				0.00%		0.00%		0.00%		0.00%			0.00%

ROSEVILLE COMMUNITY CHARTER SCHOOL CHARTER SCHOOL
NET CASH RESOURCE SCHEDULE
Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
FYE June 30, 2018

<u>Net Cash Resources:</u>	<u>Food Service</u> <u>B - 4/5</u>	
CAFR *		Current Assets
B-4	79,596	Cash & Cash Equiv.
B-4		Due from Other Gov'ts
B-4	40,802	Accounts Receivable
B-4		Investments
CAFR		Current Liabilities
B-4	-	Less Accounts Payable
B-4	-	Less Accruals
B-4		Less Due to Other Funds
B-4		Less Deferred Revenue
	<u>120,398</u>	Net Cash Resources
		(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	(189,284)	Tot. Operating Exp.
B-5	-	Less Depreciation
	<u>(189,284)</u>	Adj. Tot. Oper. Exp.
		(B)
 <u>Average Monthly Operating Expense:</u>		
	<u>(18,928)</u>	B / 10
		(C)
 <u>Three times monthly Average:</u>		
	<u>(56,785)</u>	3 X C
		(D)

TOTAL IN BOX A	\$	120,398.00	
LESS TOTAL IN BOX D	\$	(56,785.20)	
NET	\$	<u>63,612.80</u>	
From above:			
A is greater than D, cash exceeds 3 X average monthly operating expenses.			
D is greater than A, cash does not exceed 3 X average monthly operating expenses.			

* Inventories are not to be included in total current assets.

**ROSEVILLE COMMUNITY CHARTER SCHOOL
AUDIT SYNOPSIS RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding

It was noted that net cash resources did exceed three months average expenditures for the Food Service Fund.

Recommendation

The charter school must take steps to reduce the excess cash balance.

5. Student Body Activities
None
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None
9. Status of Prior Year's Findings Recommendations

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.