

BOARD OF TRUSTEE'S
CAMDEN'S PROMISE CHARTER SCHOOL, INC.
COUNTY OF CAMDEN
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS-
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Trustee's
Camden's Promise Charter School, Inc.
County of Camden, New Jersey

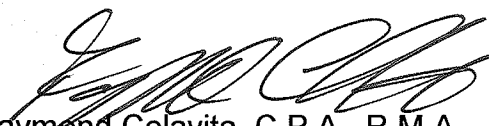
We have audited, in accordance with generally accepted audit standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustee's of the Camden's Promise Charter School, Inc. in the County of Camden for the year ended June 30, 2018, and have issued our report thereon dated January 23, 2019.

As part of our audit, we performed procedures required by the Division of Administration and Finance, 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Trustees of the Camden's Promise Charter School, Inc. and is intended for the information of the Charter School's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

January 23, 2019

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Trustee's, the records of the various funds under the auspices of the Board of Trustee's.

Administrative Practices and Procedures

Insurance

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

Official's Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Richelle Baughn	School Board Administrator/Board Secretary	\$ 50,000
Wayne Scott	Treasurer of School Monies	475,000

There is a Blanket Employee Dishonestly Bond with Selective Insurance covering all employees with coverage of \$100,000. Adequacy of insurance coverage is the responsibility of the Board of Trustee's. The Treasurer of School Monies was bonded in accordance with provisions of Title 18A:17-32 and within the minimum limits of the schedule promulgated by the State.

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the charter school. In addition, there were no proceeds for a before/after school program to be accounted for in the Enterprise Fund.

District Internal Control Policies

District boards of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the district's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13.

All Internal Control Policies were found in accordance with NJAC 6A:23A-6.5 through 6.13.

Administrative Practices and Procedures (Continued)

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 Account and Position Control Roster

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 certified by the President of the Board, the School Business Administrator/Board Secretary and the Chief School Administrator.

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

Payrolls were delivered to the treasurer of school moneys with a warrant made to her order for the full amount of each payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2018 for proper classification of orders as reserve for encumbrances or accounts payable. This was accomplished by reviewing open purchase orders to determine whether goods were received or services were rendered as of June 30, 2018 and that no blanket purchase orders were included.

No exceptions were noted in a review of outstanding purchase orders as of June 30, 2018, with the exception of the following:

Finding 2018-1

Two year end encumbrances were misclassified as accounts payable in the June 30, 2018 Trial Balance.

Recommendation

Open purchase orders should be reviewed prior to the year end financial close, in order to ensure accounts payable and encumbrances are properly classified in the Trial Balance.

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:23A-16.2(f) and line item details as described in the Budget Summary Key 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, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings - None

B. Administrative Classification Findings - None

Business Office Records

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

Monthly financial certificates of the Board Secretary and Board of Trustees for positive line item account status certifications (**N.J.A.C.** 6:2-2.13) were performed. Budgetary line item account transfers were approved monthly to cover any anticipated deficits.

The financial records and books of accounts maintained by the Secretary were found to be in satisfactory condition.

Purchase orders were charged to the appropriate line item accounts in accordance with the State prescribed **Uniform Minimum Chart of Accounts (2R2) for New Jersey Public Charter School.**

Treasurer's / Designee Records

The Treasurer prepared cash reconciliations for the general operating account, payroll account and payroll agency account per **N.J.S.A.** 18A:17-9.

All cash receipts were promptly deposited.

The Treasurer's records as adjusted were in agreement with the records of the Board Secretary, as of June 30, 2018.

The Treasurer filed the monthly reports in a timely manner.

Financial Planning, Accounting and Reporting (Continued)

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.

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 the 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.

Elementary and Secondary Education Act (E.S.E.A) as amended by the Every Student Succeeds Act (E.S.S.A.)

The E.S.E.A. 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, II-A, III, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of the E.S.E.A. 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 study of compliance for E.S.E.A. indicated that all E.S.E.A. programs were in compliance.

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 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.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 are available on the website: http://www.state.nj.us/dca/divisions/dlgs/programs/ps_contracts.html.

The 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

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 \$19,000 for 2017-18.

The Charter School 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.

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.

Based on the results of our examination, we 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 provisions of N.J.S.A. 18A:18A-4, amended.

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. Our examination did not identify any exceptions for purchases made through state contract.

The review of contracts and agreements did not disclose any areas of statutory noncompliance.

Although a particular contract is exempt from the formal requirements of public advertising and competitive bidding, N.J.S.A. 18A:18A-37 requires that quotations be obtained, whenever practical, for any contract under the statutory bid threshold but 15 percent or more of the amount, except for contracts for professional services. All contracts and agreements, which are subject to quotations, shall be awarded on the basis of the lowest responsible quotation received, which is most advantageous to the Board of Trustees, price and other factors considered. Our examination indicated that the Board of Trustees complied with these provisions.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds.

All deposits were identified and promptly deposited.

Monthly bank reconciliations of the Student Activity Fund account were adequately prepared.

Enrollment counts and submission to the Department

Our audit procedures included a test of information reported on the Enrollment Counts for October 15 and the last day of school for on-roll, special education, bilingual and low income students. The details of our test results are included in this report in the *Schedule of Audited Enrollments*. We also performed a review of the School's procedures related to its completion.

Internal controls as they relate to the collection and submission of enrollment counts were documented and deemed marginal and as a result revised procedures were discussed and communicated during the audit process.

Facilities and Capital Assets

Our procedures included a review of the EDA grant agreements, if any, for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

There were no EDA grant agreements for the fiscal year ending June 30, 2018.

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all the requirements of NJAC 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The test results were posted on the district's website as well as being available at the school facility.

Follow-up on Prior Years' Findings

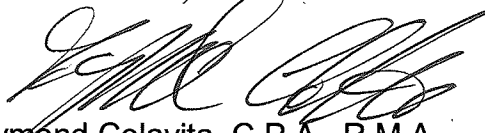
In accordance with Government Auditing Standards, which are applicable to NJ Charter Schools, our procedures included a review of all prior year audit recommendations, which indicate that corrective action has been taken on all prior year audit findings.

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 the audit team.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

**SCHEDULE OF AUDITED ENROLLMENTS
CAMDEN'S PROMISE CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 13, 2017**

Grades	TOTAL		Errors	50% Verification Required 10/13/17	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Documen- tation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documen- tation	Errors
	Submission to DOE Reported on Roll	Reported on Workpapers														
Kindergarten	175	175	0	88	88	0	88	0	3	3	0	3	0	76	76	0
One	181	181	0	90	90	0	90	0	12	12	0	12	0	79	79	0
Two	155	155	0	78	78	0	78	0	8	8	0	8	0	68	68	0
Three	154	154	0	77	77	0	77	0	4	4	0	4	0	71	71	0
Four	127	127	0	64	64	0	64	0	3	3	0	3	0	47	47	0
Five	129	129	0	65	65	0	65	0	10	10	0	10	0	58	58	0
Six	173	173	0	87	87	0	87	0	11	11	0	11	0	65	65	0
Seven	170	170	0	85	85	0	85	0	21	21	0	21	0	68	68	0
Eight	118	118	0	59	59	0	59	0	12	12	0	12	0	50	50	0
Nine	164	164	0	82	82	0	82	0	16	16	0	16	0	58	58	0
Ten	190	190	0	95	95	0	95	0	18	18	0	18	0	70	70	0
Eleven	103	103	0	52	52	0	52	0	6	6	0	6	0	45	45	0
Twelve	115	115	0	58	58	0	58	0	10	10	0	10	0	45	45	0
Total	1,954	1,954	0	978	978	0	978	0	134	134	0	134	0	799	799	0
Percentage						<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**SCHEDULE OF AUDITED ENROLLMENTS
CAMDEN'S PROMISE CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 12, 2018**

Grades	TOTAL		Errors	50% Verification Required 6/30/16	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Document- ation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Document- ation	Errors
	Submission to DOE Reported on Roll	Reported on Workpapers														
Kindergarten	174	174	0	89	89	0	89	0	0	0	0	0	0	81	81	0
One	180	180	0	91	91	0	91	0	7	7	0	7	0	80	80	0
Two	164	164	0	79	79	0	79	0	12	12	0	12	0	68	68	0
Three	157	157	0	79	79	0	79	0	7	7	0	7	0	71	71	0
Four	127	127	0	64	64	0	64	0	7	7	0	7	0	57	57	0
Five	169	169	0	93	93	0	93	0	12	12	0	12	0	80	80	0
Six	173	173	0	89	89	0	89	0	14	14	0	14	0	78	78	0
Seven	124	124	0	62	62	0	62	0	17	17	0	17	0	52	52	0
Eight	114	114	0	57	57	0	57	0	10	10	0	10	0	47	47	0
Nine	163	163	0	82	82	0	82	0	12	12	0	12	0	64	64	0
Ten	135	135	0	68	68	0	68	0	16	16	0	16	0	53	53	0
Eleven	106	106	0	53	53	0	53	0	7	7	0	7	0	41	41	0
Twelve	111	111	0	56	56	0	56	0	8	8	0	8	0	44	44	0
Total	1,897	1,897	0	961	961	0	961	0	129	129	0	129	0	815	815	0
Percentage						<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>

CAMDEN'S PROMISE CHARTER SCHOOL, INC.
EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR	\$ <u>32,714,385</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	4,184,980	(B2a)
Assets Acquired Under Capital Leases	_____	(B2b)
 Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)]	 <u>28,529,405</u>	 (B3)
 2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	 <u>570,588</u>	 (B4)
Enter Greater of (B4) or \$250,000	<u>250,000</u>	(B5)
Increased by: Allowable Adjustment*	<u>-</u>	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance[(B5)+(K)]		 <u>\$ 250,000</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>985,696</u>	(C)
Decreased by:		
Year-end Encumbrances	18,680	(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****	278,461	(C4)
Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures	_____	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018-August 1, 2018	_____	(C6)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		 <u>\$ 688,555</u> (U1)

SECTION 3

Section 1 Restricted Fund Balance- Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-		<u>\$ 438,555</u> (E)
 <u>Recapitulation of Excess Surplus as of June 30, 2018</u>		
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	-	(C3)
Reserved Excess Surplus ***[(E)]	438,555	(E)
 Total Excess Surplus [(C3) + (E)]		 <u>\$ 438,555</u> (D)

CAMDEN'S PROMISE CHARTER SCHOOL, INC.
EXCESS SURPLUS CALCULATION

Footnotes:

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
 - (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale & Lease-Back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-Back	_____	(I)
Extraordinary Aid	_____	(J1)
Additional Nonpublic School Transportation Aid	_____	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	_____	(J4)
Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)]	\$ _____	(K)

- ** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line **90031**.
- *** Amounts must agree to the June 30, 2018 CAFR and must agree to Audit Summary Worksheet Line 90030.
- **** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.
- ***** Increase in Assigned Fund Balance - Unreserved - Designated for Subsequent Year's expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget. Refer to Commissioner's Broadcast of July 13, 2018 at the NJDOE Broadcast webpage <https://homeroom5.doe.state.nj.us/broadcasts/> and to page 1-4.2 of this Audit Program.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	_____
Capital reserve	278,461
Maintenance reserve	_____
Emergency Reserve	_____
Tuition reserve	_____
School Bus Advertising 50% Fuel Offset Reserve - Current Year	_____
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	_____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	_____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	_____
Other state/government mandated reserve	0
[Other Restricted Fund Balance not noted above] ****	_____
Total Other Restricted Fund Balance	\$ <u>278,461</u> (C4)

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2018

Camden's Promise Charter School, Inc.

RECOMMENDATIONS:

1. Administrative Practices and Procedures - None

2. Financial Planning, Accounting and Reporting

Finding 2018-1

Recommendation - Open purchase orders should be reviewed prior to the year end financial close, in order to ensure accounts payable and encumbrances are properly classified in the Trial Balance.

3. School Purchasing Programs - None

4. School Food Service - None

5. Student Body Activities - None

6. Application for State School Aid - None

7. Charter School Enrollment System(CHE) (Applicable to audits of charter schools)
- None

8. Pupil Transportation - None

9. Facilities and Capital Assets - None

10. Miscellaneous - None

11. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.