

PRINCETON CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PRINCETON CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
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FOR THE FISCAL YEAR ENDED JUNE 30, 2019
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November 25, 2019

The Honorable President and Members
of the Board of Trustees
Princeton Charter School
County of Mercer, 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 Princeton Charter School for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 25, 2019.

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 November 25, 2019, on the financial statements of the Board of Trustees.

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 suggestions and recommendation.

This report is intended solely for the information and use of the Princeton Charter School'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



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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> |
|-------------------|---|-----------------|
| Michael Falkowski | Board Secretary/School Business Administrator | \$ 180,000 |

There is Blanket Employee Dishonesty coverage with the N.J. School Boards Association Insurance Group in the amount of \$250,000.

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 indicated discrepancies with respect to signatures, certification and supporting documentation as detailed below.

Finding:

During the course of our testing, it was noted that there were a few instances where purchases were made prior to the preparation/approval of purchase orders and receipt of goods signatures were not obtained for all purchase orders.

Recommendation:

It is recommended that purchase orders are prepared/approved prior to the purchase of goods or services to ensure availability of funds and receipt of goods signatures are obtained for all purchase orders.

PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Financial Planning, Accounting and Reporting (Cont'd)

Examination of Claims (Cont'd)

Management Response:

All purchase orders will be prepared/approved prior to the purchase of goods or services to ensure the availability of funds and will ensure receipt of goods signatures are obtained for all purchase orders.

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, 2019 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 of Trustees, 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.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board of Trustees, 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.

PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

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

The E.S.E.A. 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 of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. revealed no areas of noncompliance and/or questioned costs.

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 and/or questioned costs.

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, 2019. 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.

PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

School Purchasing Programs (Cont'd)

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

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 \$19,000 for 2018-19.

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.

PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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 the appropriate school food service personnel, as to whether the School Food Authority (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.

Non-program foods were not purchased, prepared or offered for sale.

Student Body Activities

In planning and performing our audit of the financial statements of the Board of Trustees, 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.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 15, 2018 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 with minor exceptions. 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.

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.

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Suggestions to Management:

New Jersey Earned Sick Leave Law

The New Jersey Earned Sick Leave Law was effective October 29, 2018. This law allows employees to accrue 1 hour of earned sick leave for every 30 hours worked, up to 40 hours each calendar year. We suggest that Districts perform a review each year to determine if there are any employees not previously eligible to receive earned sick leave who are now entitled to under this law and that adequate records are maintained for the accrual of the earned sick leave.

Governmental Accounting Standards Board (GASB) Statements

The next GASB Statement which will have an impact on the Charter School's financial statements is GASB Statement No. 84, *Fiduciary Activities*, which is effective for the fiscal year ended June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement will likely have an impact on the financial statement presentation of the Payroll Agency Fund and may have an impact on the presentation of the Student Activities Agency Fund and Trust Funds.

Status of Prior Year's Findings/Recommendations

The prior year recommendation regarding purchase orders being prepared prior to the purchase of goods or services has not been resolved and is included in the current year.

PRINCETON CHARTER SCHOOL
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2018

| Submission to DOE Reported on Roll | Reported on Workpapers | Errors | Sample Selected | Verified Signed Registration Forms | Errors | Verified # Days Enrolled | Errors | Low Income | Selected Low Income | Verified Documentation | Errors | Selected Bilingual | Verified Bilingual | Errors | Selected Spec. Ed. | Verified Spec. Ed. | Errors |
|------------------------------------|------------------------|--------|-----------------|------------------------------------|--------|--------------------------|--------|------------|---------------------|------------------------|--------|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | | | | | | | | | | | | | | | | | |
| Kindergarten | 40 | | 20 | 20 | | 20 | | | | | | | | | | | |
| Grade 1 | 41 | (1) | 21 | 21 | | 21 | | 4 | 1 | 1 | | | | | 1 | 1 | |
| Grade 2 | 42 | (2) | 22 | 22 | | 22 | | 1 | | | | | | | | | |
| Grade 3 | 46 | (2) | 24 | 24 | | 24 | | | | | | | | | | | |
| Grade 4 | 48 | (2) | 24 | 24 | | 24 | | 2 | 1 | 1 | | | | | 1 | 1 | |
| Grade 5 | 49 | (1) | 25 | 25 | | 25 | | 4 | 1 | 1 | | | | | 1 | 1 | |
| Grade 6 | 46 | (1) | 24 | 24 | | 24 | | 1 | | | | | | | | | |
| Grade 7 | 51 | | 26 | 26 | | 26 | | 2 | 1 | 1 | | | | | 1 | 1 | |
| Grade 8 | 50 | (1) | 26 | 26 | | 26 | | | | | | | | | | | |
| Totals | 413 | (10) | 213 | 213 | | 213 | - 0 - | 14 | 4 | 4 | - 0 - | - 0 - | - 0 - | - 0 - | 4 | 4 | - 0 - |
| Percentage Error | | 2.36% | | | 0.00% | | | | | | 0.00% | | | | | | 0.00% |

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2019

| Submission to DOE Reported on Roll | Reported on Workpapers | Errors | Sample Selected | Verified Signed Registration Forms | Errors | Verified # Days Enrolled | Errors | Low Income | Selected Low Income | Verified Documentation | Errors | Selected Bilingual | Verified Bilingual | Errors | Selected Spec. Ed. | Verified Spec. Ed. | Errors |
|------------------------------------|------------------------|--------|-----------------|------------------------------------|--------|--------------------------|--------|------------|---------------------|------------------------|--------|--------------------|--------------------|--------|--------------------|--------------------|--------|
| | | | | | | | | | | | | | | | | | |
| Kindergarten | 40 | | 20 | 20 | | 20 | | | | | | | | | | | |
| Grade 1 | 41 | (1) | 21 | 21 | | 21 | | 4 | 1 | 1 | | | | | 1 | 1 | |
| Grade 2 | 42 | (2) | 22 | 22 | | 22 | | 1 | | | | | | | | | |
| Grade 3 | 46 | (2) | 24 | 24 | | 24 | | | | | | | | | | | |
| Grade 4 | 48 | (2) | 24 | 24 | | 24 | | 2 | 1 | 1 | | | | | 1 | 1 | |
| Grade 5 | 49 | (1) | 25 | 25 | | 25 | | 4 | 1 | 1 | | | | | 1 | 1 | |
| Grade 6 | 46 | (1) | 23 | 23 | | 23 | | 1 | | | | | | | | | |
| Grade 7 | 50 | (1) | 25 | 25 | | 25 | | 1 | 1 | 1 | | | | | 1 | 1 | |
| Grade 8 | 49 | (2) | 25 | 25 | | 25 | | | | | | | | | | | |
| Totals | 412 | (11) | 210 | 210 | | 210 | - 0 - | 13 | 4 | 4 | - 0 - | - 0 - | - 0 - | - 0 - | 4 | 4 | - 0 - |
| Percentage Error | | 2.62% | | | 0.00% | | | | | | 0.00% | | | | | | 0.00% |

PRINCETON CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Purchase orders are prepared/approved prior to the purchase of goods or services to ensure availability of funds and receipt of goods signatures are obtained for all purchase orders.

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

The prior year recommendation regarding purchase orders being prepared prior to the purchase of goods or services has not been resolved and is included in the current year.