

**INDEPENDENT AUDITOR'S MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**MARIA L. VARISCO-ROGERS
CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

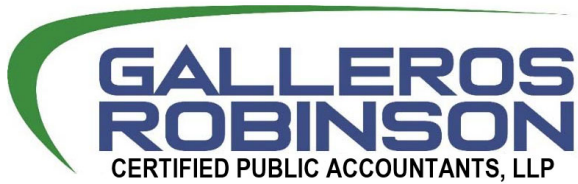
JUNE 30, 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS LLP**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of Board of Trustees
Maria L. Varisco-Rogers Charter School
County of Essex, 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 Trustees of the Maria L. Varisco-Rogers Charter School (the "Charter School") in the County of Essex, State of New Jersey for the year ended June 30, 2019, and have issued our report thereon dated December 11, 2019.

As part of our audit, we performed procedures required by the State of 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 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.

A handwritten signature in black ink that reads "Leonora Galleros". The signature is written in a cursive style and is positioned above a horizontal line.

Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400

A handwritten signature in black ink that reads "Galleros Robinson CPAs, LLP". The signature is written in a bold, sans-serif style and is positioned above a horizontal line.

Galleros Robinson CPAs, LLP
Certified Public Accountants

December 11, 2019
Cream Ridge, New Jersey

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**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 Moneys, the activities of the Board of Trustees of Maria L. Varisco-Rogers Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Required insurance coverages are carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Jose Segarra	School Business Administrator	\$220,000
Albert Barre	Assistant School Business Administrator	\$220,000

Tuition Charges

A review of the 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.

Finding 2019-001

During our disbursements testing, we noted 13 of 40 transactions tested have invoice dates that were earlier than the purchase order dates.

It was observed that a memorandum was issued immediately once the matter was brought to management's attention to all employees from the School Business Administrator amplifying the Charter School's policies and procedures in place over purchasing of goods and services.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Examination of Claims - continued

Recommendation

We recommend a review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School's purchasing policy.

Payroll Account

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 approved by the designee of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld 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 purchase orders was made as of June 30, 2019, for proper classification of purchase orders as reserved for encumbrances or accounts payable.

Travel Policy

A travel policy was adopted by the Board as required by *N.J.A.C. 6A:23A A-6.13* and *N.J.S.A. 18A:11-12*.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23-8.2*. As a result of the procedures performed, a minimal transaction error rate of 1.9% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval.

Elementary and Secondary Education Act (ESEA) as amended by the Every Student Succeeds Act (ESSA)

The ESEA 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 and VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's special projects were approved as listed on Schedules A and B 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.

Teachers' Pension Annuity Fund (T.P.A.F.) Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but districts/charter schools/renaissance school projects can print out the DOENET screen for an auditor) filed with the Department of Education for district/charter school/renaissance school project employees who are members of the Teachers Pension and Annuity Fund. We noted no exceptions.

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

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 prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and we noted no exceptions.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 \$19,000 for 2018-19.

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 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 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 18:18A-5.

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 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.

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

Detailed Revenue and Expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool was provided. No exception was noted.

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

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Charter School Enrollment System/Charter School Aid

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low-income students. We also performed a review of the Charter School's procedures related to its completion.

Finding 2019-002

In our review of free and reduced lunch applications while performing state enrollment related procedures, we noted applications that were placed in incorrect categories:

- a. Fourteen students were classified as "free" in Charter School Enrollment System (CHE) but should have been classified as "denied" or "reduced" based on the completed application and income information on file and the Master Eligibility List (MEL).
- b. Two students were classified as "reduced" in Charter School Enrollment System (CHE) but should have been classified as "free" and "denied", respectively based on the completed application and income information on file and the Master Eligibility List (MEL).

Recommendation

We recommend that free and reduced applications and entries in the Charter School Enrollment System should be reviewed by the Charter School personnel to ensure proper classification of applications into the categories of free, reduced, or paid.

Facilities and Capital Assets

The Charter School has inventory records of assets. No exception was noted in this area.

Testing for Lead of All Drinking Water in Educational Facilities

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

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

Follow-up on Prior Year Finding

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. All other recommendations had been addressed through corrective actions.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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 our audit team.

Respectfully submitted,



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

December 11, 2019
Cream Ridge, New Jersey

**MARIA L. VARISCO ROGERS CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2018**

Grades	Submission to DOE Reported On Roll		50% Verification required 10/15/18						Submission to DOE Reported Special Ed/ Bilingual						Low Income		
	Reported	Errors	workpapers	Errors	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Verified	Errors	Verified # days Service Provided	Errors	Income	Verified Dcumentation	Errors		
Kindergarten	63	63	0	32	32	0	32	0	3	3	0	3	0	19	19	0	
One	62	62	0	31	31	0	31	0	5	5	0	5	0	23	23	0	
Two	64	64	0	32	32	0	32	0	2	2	0	2	0	27	26	1	
Three	63	63	0	32	32	0	32	0	5	5	0	5	0	28	28	0	
Four	61	61	0	31	31	0	31	0	4	4	0	4	0	27	27	0	
Five	62	62	0	31	31	0	31	0	3	3	0	3	0	26	26	0	
Six	62	62	0	31	31	0	31	0	2	2	0	2	0	28	27	1	
Seven	62	62	0	31	31	0	31	0	3	3	0	3	0	25	25	0	
Eight	59	59	0	30	30	0	30	0	3	3	0	3	0	26	26	0	
Total	558	558	0	281	281	0	281	0	30	30	0	30	0	229	227	2	
Percentage			0.0%			0%		0%			0%		0%			1%	

**MARIA L. VARISCO ROGERS CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 12, 2019**

Grades	Submission to DOE Reported On Roll		50% Verification required 6/30/19						Submission to DOE Reported Special Ed/ Bilingual						Low Income		
	Reported	Errors	workpapers	Errors	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Verified	Errors	Verified # days Service Provided	Errors	Income	Verified Dcumentation	Errors		
Kindergarten	63	63	0	32	32	0	32	0	3	3	0	3	0	19	19	0	
One	60	60	0	30	30	0	30	0	4	4	0	4	0	23	23	0	
Two	63	63	0	32	32	0	32	0	2	2	0	2	0	27	27	0	
Three	62	62	0	31	31	0	31	0	5	5	0	5	0	27	27	0	
Four	62	62	0	31	31	0	31	0	4	4	0	4	0	27	27	0	
Five	62	62	0	31	31	0	31	0	3	3	0	3	0	26	25	1	
Six	63	63	0	32	32	0	32	0	2	2	0	2	0	28	28	0	
Seven	62	62	0	31	31	0	31	0	3	3	0	3	0	25	25	0	
Eight	60	60	0	30	30	0	30	0	3	3	0	3	0	26	26	0	
Total	557	557	0	280	280	0	280	0	29	29	0	29	0	228	227	1	
Percentage			0.0%			0%		0%			0%		0%			0%	

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2019

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 10,325,988 (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	\$ 1,352,348 (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 8,973,640 (B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 179,473 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000 (B5)
Increased by: Allowable Adjustment *	\$ _____ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 250,000 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,562,815 (C)
Decreased by:	
Year-end Encumbrances	\$ _____ - (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 ****	\$ _____ - (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	\$ _____ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,562,815 (U1)
Excess Surplus at June 30, 2019	\$ 1,312,815

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ _____ - (E)
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Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ _____ - (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ - (E)
Total Excess Surplus [(C3) + (E)]	\$ _____ - (D)

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

We recommend a review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School's purchasing policy.

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

N/A.

VII. Charter School Enrollment System (CHE)

We recommend that free and reduced applications and entries in the Charter School Enrollment System should be reviewed by the Charter School personnel to ensure proper classification of applications into the categories of free, reduced, or paid.

VIII. Pupil Transportation

N/A.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Year Findings

The prior year recommendation had been addressed through corrective actions.