

**INDEPENDENT AUDITORS MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

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

JUNE 30, 2017

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

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

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditors' Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges.....	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	3
Reserve for Encumbrances and Accounts Payable.....	3
Travel Policy.....	3
Classification of Expenditures	3
▪ General Classification	
▪ Administrative Classification	
Board Secretary's Records	5
Treasurer's Records.....	5
Elementary and Secondary Education Act/Improving America's School Act as Reauthorized by the No Child Left Behind Act of 2001	5
Other Special Federal and/or State Projects.....	5
TPAF Reimbursement.....	6
TPAF Reimbursements to State for Federal Salary Expenditures	6
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids.....	6
School Food Service	7
Charter School Enrollment System/Charter School Aid	7
Facilities and Capital Assets	8
Follow-up on Prior Year Findings	8
Acknowledgment	8
Schedule of Meal Count Activity	N/A
Schedule of Audited Enrollments	9
Excess Cash Surplus Calculation	11
Audit Recommendations Summary	12

INDEPENDENT AUDITORS' 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, 2017, and have issued our report thereon dated November 6, 2017.

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.

Galleros Koh LLP



Leonora Galleros, CPA
Licensed Public School Accountant
No. No. 20CS002239400

November 6, 2017
Cream Ridge, New Jersey

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

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

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 we noted that claims were approved by designated individuals, certified and supporting documents were maintained.

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

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

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 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, 2017, 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 0.017% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

**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.

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared and were presented to the Board.

Elementary and Secondary Education Act (ESEA)/ Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The ESEA/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 Titles I and IV 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 (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter School employees who are members of the Teacher's Pension Annuity Fund. We noted no exceptions.

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 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 90 days required by the Office of Grants Management. 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.

**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

N.J.S.A. 18A:18A-3 (a) sets forth the bid threshold and requires award by board resolution. The statute was amended in 1999 to provide for an even higher threshold when there is a "Qualified Purchasing Agent" in the charter school 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 was raised to \$29,000, effective July 1, 2015. For charter schools with a qualified purchasing agent, the bid threshold was raised to \$40,000.

"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 \$29,000 the contract may be awarded by a purchasing agent when so authorized by resolution of the board without public advertising for bids and bidding therefore, except that the board may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 18A:18A-37 describes the awarding of contracts below the bid threshold. Subsection (a) describes the requirements for awarding contracts below the bid threshold. "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (a) of N.J.S.A. paragraph (3) of that subsection concerning work by employees of the board, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable."

Subsection (c) describes the requirements for small purchases.

"If authorized by the board resolution, all contracts that are in the aggregate less than 15 percent of the bid threshold may be awarded by the purchasing agent without soliciting competitive quotations."

Based on the results of our tests, we did note any individual payments, contracts, or agreements made for the performance of any work or goods or services in excess of statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

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 SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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

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

School Food Service - Continued

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.

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

Finding 2017-001*

Net cash resources exceeded the three months average expenditures (*).

As of audit report date, the School is in the process of implementing the corrective action plan submitted and approved to the State of New Jersey Department of Agriculture on May 31, 2017.

Recommendation

The Charter School should take measures to maintain the net cash resources to at least three months average expenditures.

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

ADMINISTRATIVE FINDINGS
 FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED

NET CASH RESOURCE SCHEDULE
 Proprietary Funds - Food Service
 FYE 2017

		Food Service B - 4/5	
<u>Net Cash Resources:</u>			
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 218,851
B-4		Accounts Receivable	27,481
CAFR		Current Liabilities	
B-4		Less Accounts Payable	<u>18,118</u>
		Net Cash Resources	<u>\$ 264,450</u> (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	\$ 400,366
B-5		Less Depreciation	<u>4,746</u>
		Adj. Tot. Oper. Exp.	<u>\$ 405,112</u> (B)
<u>Average Monthly Operating Expense:</u>			
		B / 10	<u>\$ 40,511</u> (C)
<u>Three times monthly Average:</u>			
		3 X C	<u>\$ 121,533</u> (D)

TOTAL IN BOX A	\$	264,450
LESS TOTAL IN BOX D		<u>(121,533)</u>
NET	\$	<u>142,917</u>
From above:		
A is greater than D, cash exceeded 3 X average monthly operating expenses.		

**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. We noted no exceptions.

Facilities and Capital Assets

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

Follow-up on Prior Year's Finding

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Repeat recommendations are identified with an asterisk (*). All other recommendations had been addressed through corrective actions.

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
Licensed Public School Accountant
No. No. 20CS002239400



November 6, 2017
Cream Ridge, New Jersey

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2016**

Submission to														
Grades	CHE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	65	65	65	-	190	-	1	1	-	190	-	47	47	-
First	60	60	60	-	190	-	6	6	-	190	-	39	39	-
Second	60	60	60	-	190	-	5	5	-	190	-	34	34	-
Third	63	63	63	-	190	-	7	7	-	190	-	50	50	-
Fourth	59	59	59	-	190	-	3	3	-	190	-	40	40	-
Fifth	56	56	56	-	190	-	5	5	-	190	-	44	44	-
Sixth	57	57	57	-	190	-	6	6	-	190	-	40	40	-
Seventh	57	57	57	-	190	-	4	4	-	190	-	49	49	-
Eighth	60	60	60	-	190	-	4	4	-	190	-	39	39	-
Total	537	537	537	-	-	-	41	41	-	-	-	382	382	-
Percentage				0.0%		0.0%			0.0%		0.0%			0.0%

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2017**

Submission to														
Grades	CHE reported On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	60	60	60	-	190	-	1	1	-	190	-	43	43	-
First	60	60	60	-	190	-	6	6	-	190	-	39	39	-
Second	61	61	61	-	190	-	5	5	-	190	-	34	34	-
Third	62	62	62	-	190	-	7	7	-	190	-	49	49	-
Fourth	60	60	60	-	190	-	3	3	-	190	-	40	40	-
Fifth	59	59	59	-	190	-	5	5	-	190	-	45	45	-
Sixth	58	58	58	-	190	-	6	6	-	190	-	40	40	-
Seventh	60	60	60	-	190	-	4	4	-	190	-	50	50	-
Eighth	59	59	59	-	190	-	4	4	-	190	-	39	39	-
Total	539	539	539	-	-	-	41	41	-	-	-	379	379	-
Percentage				0.0%		0.0%			0.0%		0.0%			0.0%

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

EXCESS SURPLUS CALCULATION

June 30, 2017

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1		\$ 9,581,067 (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	\$ 984,612 (B2a)	
Assets Acquired Under Capital Leases	\$ - (B2b)	
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 8,596,455 (B3)	
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ 171,929 (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 @ 6/30/2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 2,052,629 (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)]	\$ 2,052,629 (U1)	
Excess Surplus at June 30, 2017		\$ 1,802,629

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ - (E)
---	----------

Recapitulation of Excess Surplus as of June 30, 2017

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

There are none.

III. School Purchasing Programs

There are none.

IV. School Food Service

The Charter School should take measures to maintain the net cash resources to at least three months average expenditures. As of audit report date, the School is in the process of implementing the corrective action plan submitted and approved to the State of New Jersey Department of Agriculture on May 31, 2017.

V. Charter School Enrollment System/Charter School Aid

There are none.

VI. Miscellaneous

There are none.