

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

It is the responsibility of the charter school to comply with the regulation of submitting the peer review report to the Department. Auditors are asked to inquire, early during field work, if the charter school has done this. A copy of the most recent peer review report must be provided to the Department as soon as possible after the engagement letter has been signed.

Government Auditing Standards (the 2007 Yellow Book) includes peer review requirements. Any letter of comment and any subsequent peer review reports and letters of comment received during the period of the contract should be provided to the charter school which has contracted for the audit or attestation engagement. Auditors should refer to Sections 3.50 – 3.57 of the *2007 Yellow Book* for guidance on Quality Control and Assurance Standards .

Audit Submission

The audit must be completed not later than 4 months after the end of the fiscal year (November 1). N.J.S.A 18A:23-3 requires "...such accountant shall within 5 days thereafter file two duplicate copies thereof certified under his signature in the Office of the Commissioner." (November 5, 2009 for 2008-2009 audits). No provision is made for the issuance of extensions beyond the statutory due date. If a charter school fails to have an annual audit completed by November 1, the Commissioner of Education can appoint a qualified auditor to conduct the audit of the charter school. The cost of conducting such an audit would be paid out of the funds of the charter school.

The following section provides information on the required documents to be submitted. A checklist (see page III-1.5) to organize the various documents should be completed and included as part of the required submission to the Department. This has been developed to assist audit firms in packaging the correct number of documents, and to minimize correspondence from the Department. The filing addresses and other pertinent information are outlined below. Failure to follow the filing instructions will result in notification to the charter school by the Department.

Audit Reporting Package

- The Reporting Package for most charter schools consists of two separate required audit reports: the CAFR and the Auditor's Management Report (AMR). Both reports must be signed by the appointed public school accountant performing the audit, not by the firm or corporation that employs the auditor, submitted to the charter school board of trustees. Three electronic copies on CD-Rom of the CAFR must also be sent to the Department of Education. An additional copy of the CAFR and the AMR must be emailed to school-funding@doe.state.nj.us or sent in CD-Rom form to Office of School Funding, P.O. Box 500, Trenton, NJ 08625 Attn: Kathy Ambrosio

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

Audit Summary diskette (Audsum)

- The Audit Summary Worksheet is generated by the software and must be signed by both the auditor and the charter school business administrator.
- The Audsum is transmitted to the Department by the School Business Administrator.

Auditor Questionnaire (see Section III-6 of this Audit Program)

- The Auditor Questionnaire is not a required submission for charter schools. It must still be signed by the auditor, maintained in the auditor's workpaper files, and available to the Department upon request.
- The Audit Questionnaire should not be sent to the Department of Agriculture.

Additional reports/worksheets submitted to the Department

- Peer Review Report
- Data Collection Form (if applicable; see Single Audit section III-1.6)
- Type A Programs worksheets (see Single Audit Section II-SA and Section III)

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

MAILING ADDRESS *(Note that the US Post Box should be used for mailing. The street address is for other forms of delivery.)	AUDIT DOCUMENTS	TIME AFTER AUDIT TO SUBMIT/ # COPIES
Federal Audit Clearinghouse Bureau of the Census 1201 East Tenth Street Jeffersonville, IN 47132	Federal Reporting Package ** Data Collection Form (Only required for charter schools expending \$500,000 or more in federal awards).	Within 30 days One copy of each
**see Single Audit Report Submission Requirements on page III-1.6		
Commissioner of Education Department of Education The Office of Fiscal Accountability and Compliance/Single Audit 100 Riverview Plaza P.O. Box 500 Trenton, NJ 08625-0500	See CHECKLIST on next page Telephone 609-984-5935	Within five days See next page for # of copies
NJ Department of Education Office of School Funding Attention: Kathy Ambrosio P.O. Box 500 Trenton, NJ 08625-0500 609-341-5298	Audit Reporting Package - CAFR (electronic copy only), AMR and Corrective Action Plan (CAP) – email one copy to: school-funding@doe.state.nj.us	
NJ Department of Agriculture *** Bureau of Child Nutrition Programs *33 W. State St. – 4 th Floor P.O. Box 334 Trenton, NJ 08625	Audit Reporting Package – CAFR (Electronic copy only), AMR & Corrective Action Plan (CAP) ***Only sent to NJ Dept of Ag. if there are Findings in Child Nutrition Prog or in low eligibility testing	Within five days; One copy
County Superintendent of Schools	Audit Reporting Package - CAFR, AMR, & Corrective Action Plan (CAP)	Within five days - One copy

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
CAFR INFORMATION SCHEDULE/CHECKLIST

1. Name of Charter School _____
2. County _____
3. Tax ID Number _____
4. Accounting Firm _____
5. Contact at CPA Firm
 Name _____
 Phone _____
 Email (optional) _____

Audit Submission to the NJ Department of Education

Charter School	Enclosed
3 Copies of CAFR 2 bound copies to Office of Fiscal Accountability & Compliance 1 unbound (binder) copy to Office of School Funding	
4 Electronic Copies of CAFR	
3 Copies of AMR 2 bound copies to Office of Fiscal Accountability & Compliance 1 unbound (binder) copy to Office of School Funding	
2 Electronic Copy of AMR	
1 Copy of Peer Review to Office of Fiscal Accountability & Compliance 1 copy to Office of School Funding	
1 Copy of Federal Data Collection Form to Office of Fiscal Accountability & Compliance 1 copy to Office of School Funding	
1 Copy of Type A Programs Worksheets	

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

FEDERAL TYPE A PROGRAMS WORKSHEET
For the Fiscal Year ended 6/30/2009

Name of Charter School	<u>Anytown Charter School</u>	County:	<u>Newland</u>
Total Federal Expenditures	<u>\$2,250,000,000.00</u>	Type A Threshold:	<u>\$6,750,000.00</u>

CFDA Number(s) and Name of Type A Programs Identified	<u>Year(s) Single Audit Performed*</u>		
	<u>Year 1 - 2009</u>	<u>Year 2 - 2008</u>	<u>Year 3 - 200</u>
84.010 Title 1, Part A	X	X	
84.027 IDEA, Part B	X	X	
84.365 Title III Immigrant		X	
84.186 Title IV Safe and Drug Free Schools			X

*Must agree with those reported on Federal Data Collection Form SF-SAC
and the related Schedule of Findings and Questioned Costs.

<hr/>	<hr/>	<hr/>
Auditor's Name (Please Print)	Date	Auditor's Signature

SECTION III - REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

STATE TYPE A PROGRAMS WORKSHEET
For the Fiscal Year ended 6/30/2009

Name of Charter School	Anytown Charter School	County:	Newland
Total State Expenditures	\$2,500,000.00	Type A Threshold:	\$300,000.00

GMIS Number(s) and Name of Type A Programs Identified	<u>Year(s) Single Audit Performed*</u>		
	Year 1 - 2009	Year 2 - 2008	Year 3 - 2007

* Must agree with the related Schedule of Findings and Questioned Costs.

Auditor's Name (Please Print)

Date

Auditor's Signature

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

Single Audit Report Submission Requirements

Federal Single Audit Requirements

For charter schools subject to the Single Audit Act pursuant to USOMB Circular A-133, the report submission requirements are as follows:

- The Data Collection Form (SF-SAC) and Reporting Package described below must be submitted to the Federal Clearinghouse within 30 days after receipt of the auditor's report(s).
- Based on the statutory deadline for filing the annual audit report for New Jersey charter schools, no submission to the Federal Clearinghouse should occur later than November 30th.
- The submission of anything other than a complete Data Collection Form and Reporting Package will be returned to the auditee.
- The Data Collection Form is to be submitted to the Clearinghouse as a separate document, not as part of the Reporting Package and must be signed by both the charter school and the auditor.
- The Data Collection Form and one copy of the Reporting Package should be submitted to the Clearinghouse for the Federal Clearinghouse archival copy.
- The auditee must also submit to the Clearinghouse one copy of the Reporting Package for each Federal awarding agency when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to **Federal awards that the Federal awarding agency provided directly**.

Data Collection Form

The Data Collection Form provides information on the type of audit, the auditee, the auditee's Federal programs, and the results of the audit. The Data Collection Form must indicate the federal awarding agency(ies) that should receive the additional report(s). The Clearinghouse will distribute the additional copies to the appropriate federal awarding agencies using the information reported on the form.

A Data Collection Form is available on the website <http://harvester.census.gov/sac/>. Information regarding the 2009 form is expected to be provided on this website. An opinion type for each major program must be provided. Auditors should refer to the instructions for completing the form, the form itself, and the electronic submission process for further guidance at the website above or from the Federal Audit Clearinghouse at 1-800-253-0696 (toll free) or 301-763-1551.

Federal Reporting Package

The Reporting Package must include the following

- Financial statements (discussed in OMB-133, ¶ __.310(a))
- Schedule of Expenditures of Federal Awards (¶ __.310(b))
- Summary schedule of prior audit findings (¶ __.315(b))
- Auditor's reports (¶ __.505)
- Corrective action plan (¶ __.315(c))

Corrective Action Plan

The corrective action plan filed with the Federal Clearinghouse (A-133 corrective action plan) addresses each audit finding included in the current year auditor's reports in the Single Audit Section of the CAFR. In accordance with OMB Circular A-133 section .320(c), the corrective action plan is a required

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

component of the Reporting Package. Charter Schools should prepare the A-133 corrective action plan in a timely manner so as to meet this filing deadline to the county superintendent (see State Submissions below).

Submission of Federal Reports to State Departments

In addition to the required submissions to the Federal Clearinghouse, the auditee must also submit one copy of the Reporting Package to each pass-through entity (including the NJ Department of Agriculture) when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to Federal awards that the pass-through entity provided.

If the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed no audit findings or did not report on the status of prior audit findings relating to Federal awards that the pass-through entity provided, the auditee shall provide written notification to the pass-through entity in accordance with Section .320(e)(2)

State Single Audit Requirements

Charter schools may be subject to NJ state single audit requirements as established by NJOMB Treasury Circular Letter 04-04 which states that "in addition to federally required reports and opinions, recipient single audits must contain similar reports and opinions for State grant or State aid funds".

State Single Audit Reporting Package

Federally required reports and opinions
Financial Statements
Schedule of Expenditures of State Financial Assistance
Corrective Action Plan (if different from federal CAP)

Corrective Action Plan – State requirements

The corrective action plan filed with the county superintendent addresses each finding included in the Auditor's Management Report and must be filed within 30 days following the board meeting at which the audit was discussed. Refer to Section III, Chapter 7 for guidance on the corrective action plan to be filed with the county superintendent. This corrective action plan may differ from the federal corrective action plan if there are findings which the auditor deems to be immaterial for federal reporting, but which must be included for state purposes.

SECTION III – REPORTING
CHAPTER 1 - AUDIT CRITERION AND SUBMISSION

Reporting Errors

Auditor's Management Report

N.J.S.A. 18A: 23-9 states that the auditors report any error, omission, irregularity, violation of law, together with recommendations, to the board of trustees of each charter school.” This statute applies to the Auditor’s Management Report filed with the Department of Education. All findings must be included in that report of the audit. This includes all items contained in a separate schedule of findings and questioned costs included in the single audit section of the charter school's CAFR.

- **Immaterial Errors and Omissions**
Sometimes an auditor will detect an error that requires disclosure pursuant to *N.J.S.A.* 18A: 23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.

- **Other Recommendations to the Board of Education**
Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditors' Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the charter school's Corrective Action Plan.

Schedule of Findings and Questioned Costs (Single Audit – Federal and State)

In accordance with the Single Audit Act, USOMB Circular A-133 and NJOMB Circular Letter 04-04 all questioned costs and findings of noncompliance with applicable federal and state laws and regulations pertaining to federal and state financial assistance programs must be reported in the *Schedule of Findings and Questioned Costs* in the single audit section of the charter school's CAFR if they meet the criteria for reporting audit findings as detailed in Circular A-133 (Section .510). See Section II-SA of the Audit Program for sample format of the schedule. As noted above, all items reported in the single audit section must be repeated in the Auditors' Management Report.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

Directives for Auditors Reports

The Single Audit Act Amendments of 1996 (the Act) replaced the Single Audit Act Amendments of 1984 which established uniform requirements for audits of Federal awards administered by non-Federal entities. The Federal Office of Management and Budget (USOMB) issued the publication *Audits of States, Local Governments, and Non-Profit Organizations* (OMB A-133) to implement the Single Audit Act Amendments. Effective for fiscal years ending after December 31, 2003, OMB A-133 was revised to raise the audit threshold for all recipients, including state and local governments to \$500,000.

The State of New Jersey Office of Management and Budget (NJOMB) Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, revised state policy regarding audits of grant recipients to require those recipients that expend \$500,000 or more in Federal financial assistance or State financial assistance within their fiscal year to have annual single audits in accordance with the Act, Amendments, OMB A-133 Revised, and State policy. Recipient single audits must contain reports and opinions for State funds similar to those required for federal single audits. A recipient is any local government (including charter school board) that receives from a State agency any Federal grant, State grant or State aid funds to carry out or administer a program.

The AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits (AICPA Audit Guide)* is available through the AICPA website <http://gaqc.aicpa.org> and incorporates recent changes to the AICPA auditing standards and Government Auditing Standards. The auditor reporting required under OMB Circular A-133 will be affected by the issuance of SAS NO. 112, *Communicating Internal Control Related Matters Identified in an Audit*. SAS 112 is effective for audits of financial statements for periods ending on or after December 15, 2006 and is available from the AICPA at <https://www.cpa2biz.com>. Sample reports updated to include Statement of Auditing Standards No. 112 terminology are available at the AICPA link <http://gaqc.aicpa.org/Resources/Illustrative+Auditors+Reports/>. **Auditors should check the AICPA website and the reports link for the most recent sample reports.** For additional guidance, the revised 2007 *Government Auditing Standards* (the 2007 Yellow Book) issued July 2007 by the U.S. General Accounting Office is available at www.gao.gov. The 2007 Yellow Book is applicable for financial audits of periods beginning on or after January 1, 2008. The term “reportable conditions” is no longer used in the reporting.

Component Units

Government Accounting Standards Board (GASB) 14 as amended by GASB 39 requires that separately issued financial statements of a component unit indicate that the entity is a component unit of another government. The notes to the component unit’s financial statements should disclose the identity of the primary government of the financial reporting entity and describe the relationship with the primary government. For the auditor’s report, the AICPA’s publication *State and Local Governments* issued May 2007 (Paragraph 14.45) refers to the language used in the introductory paragraph of the illustrative auditor’s report in appendix A, Example 14A.2. – “We have audited the accompanying basic financial statements of Sample Charter School , a component unit of Sample County, as of and for the year ended June 30, 20X1, as listed in the table of contents ...”. Charter School staff and auditors should refer to the guidance on the department’s website http://www.nj.gov/njded/finance/fp/gasb34./component_unit.shtml for further information on component units.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

Auditor Reports

The reports required in connection with an audit performed under the Single Audit Act of 1984, P.L. 98-502 as amended by the Single Audit Act Amendments of 1996, P.L. 104-156 and required by NJOMB Circular Letter 04-04 are listed below. Auditors should refer to the AICPA guidance for other reports when applicable.

Independent Auditor’s reports

References

Unqualified Opinion on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information – Governmental Entity.

Part I, Appendix A, Chapter 4, Section .51 Example 4-1

Single Audit Reports

Report on Internal Control Over Financial and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards (No Material Weaknesses[No Significant Deficiencies Identified]), No Reportable Instances of Noncompliance or Other Matters)*

Example 4-3
<http://gaqc.aicpa.org/Resources/Illustrative+Auditors+Reports/>

Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and NJOMB Circular Letter 04-04 (*Unqualified Opinion on Compliance and No Material Weaknesses [No Significant Deficiencies in Internal Control Over Compliance Identified]*)

Example 12-1
<http://gaqc.aicpa.org/Resources/Illustrative+Auditors+Reports/>

Schedule of Findings and Questioned Costs

Part II, Appendix A, Chapter 12, Section .54, Example 12-5

Any recommendations referenced in the above opinions must be repeated in the "Recommendations" section of the Auditor’s Management Report for the Board's consideration of all recommendations pursuant to N.J.S.A. 18A:23-3, 4 and 5.

The sample audit reports included herein are based on the assumption that no qualifications of opinion are required. The reports include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be deleted from the reports if no such findings apply. Auditors should reference the *Government Auditing Standards* and Circular A-133 Audits (GAS/A-133 Guide) – AICPA Audit Guide, 2007 edition, available in late summer for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR along with the Schedules of Expenditures of Federal Awards and State Financial Assistance, Notes to the Schedules of Awards and Financial Assistance, Schedule of Findings and Questioned Costs, and Summary Schedule of Prior Audit Findings.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

NOTE TO PREPARER: WHEN A FEDERAL SINGLE AUDIT IS NOT REQUIRED – DO NOT REFERENCE FEDERAL PROGRAMS. WHEN A STATE SINGLE AUDIT IS NOT REQUIRED – DO NOT REFERENCE NJOMB CIRCULAR LETTER 04-04 AND STATE PROGRAMS.

SAMPLE ONLY

The following sample report is available on the AICPA website at <http://gacq.aicpa.org/>. Auditors are encouraged to check this website for the most recent sample reports and for revisions to the Guide issued after the issuance of this *Audit Program*.

Source: Government Auditing Standards and Circular A-133 Audits (GAS/A-133 Guide) – AICPA Audit and Accounting Guide Example 4-1

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND SUPPLEMENTARY SCHEDULE OF FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION – GOVERNMENTAL ENTITY

Independent Auditor's Report

The Honorable President and
Members of the Board of Trustees
_____ Charter School
County of _____
_____, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Board of Trustees of the _____ Charter School, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, which collectively comprise the Charter School’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the _____ Board of Trustee’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the _____ Board of Trustees, in the County of _____, State of New Jersey, as of June 30, 20__, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

In accordance with Government Auditing Standards, we have also issued our report dated _____, 20__ on our consideration of the _____ Board of Trustees internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages [XX] through [XX] and [XX] through [XX] are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the _____ Board of Trustees basic financial statements. The accompanying introductory section, other supplementary information, such as, the combining and individual fund financial schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relations to the basic financial statements taken as a whole.

Licensed Public School Accountant
No. _____
Firm Name

Date

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

SAMPLE ONLY

The following sample report is available on the AICPA website at <http://gaqc.aicpa.org>. Auditors should check the site for the most recent sample reports and for revisions to the AICPA GAS/133 Guide that may be issued after the issuance of this *Audit Program*.

Source: Government Auditing Standards and Circular A-133 Audits (GAS/A-133 Guide) – AICPA Audit and Accounting Guide Example 4-3

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

(No Material Weaknesses [No Significant Deficiencies Identified], No Reportable Instances of Noncompliance or Other Matters)

The Honorable President and
Members of the Board of Trustees
_____ School
County of _____
_____, New Jersey

We have audited the financial statements of the Board of Trustees of the _____ Charter School, in the County of _____, State of New Jersey, as of and for the fiscal year ended June 30, 20__, and have issued our report thereon dated _____, 20__. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the _____ Board of Trustees internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the _____ Board of Trustee’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the _____ Board of Trustee’s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the _____ Board of Trustee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

(We noted certain matters that we reported to the Board of Trustees of the _____ Charter School in the separate *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated _____, 20__.)

This report is intended for the information and use of the audit committee, management, the _____ Charter School Board of Trustees, the New Jersey State Department of Education, and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant
No. _____
Firm Name _____

Date _____

**SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS**

SAMPLE ONLY

**The following sample report was available on the AICPA website at <http://gacq.aicpa.org>. Auditors are encouraged to check this website for the most recent sample reports and for revisions to the AICPA GAS/A-133 Guide issued after the issuance of this *Audit Program*
Source: Government Auditing Standards and Circular A-133 Audits – AICPA Audit and Accounting Guide Example 12-1.**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND
NEW JERSEY OMB CIRCULAR 04-04
(Unqualified Opinion on Compliance and No Material
Weaknesses [No Significant Deficiencies in Internal Control Over Compliance Identified])**

The Honorable President and
Members of the Board of Trustees
_____ School
County of _____
_____, New Jersey

Compliance

We have audited the compliance of the Board of Trustees of the _____ School, in the County of _____, State of New Jersey, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20___. _____ Board of Trustee’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the _____ Board of Trustees management. Our responsibility is to express an opinion on the _____ Board of Trustees compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB’s Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB’s Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the _____ Board of Trustees compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of _____ Board of Trustees compliance with those requirements.

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

In our opinion, the Board of Trustees of the _____ School, in the County of _____, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the fiscal year ended June 30, 20___. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and New Jersey OMB's Circular 04-04 and which are described in the accompanying schedule of findings and questioned costs as items (*List related finding reference number, i.e. 20X1-1, 20X1-2, etc.*) [Omit the last sentence if no such instances of noncompliance are identified in the schedule of findings and questioned costs].

Internal Control Over Compliance

The management of the Board of Trustees of the _____ School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered _____ Board of Trustees internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of _____ Board of Trustee's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. _____ Board of Trustee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit _____ Board of Trustee's response and, accordingly, we express no opinion on it.

June 30, 2009

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

This report is intended for the information and use of the audit committee, management, the _____ Board of Trustees, the New Jersey State Department of Education, and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Licensed Public School Accountant
No. _____
Firm Name

Date

June 30, 2009

SECTION III – REPORTING
CHAPTER 2 – SAMPLE OPINION REPORTS

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SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

Disclosure

A governmental entity's reports and statements, both financial and operational should contain the information necessary for users--management, the electorate, creditors, grantors, and others--to form an opinion on the effectiveness of the stewardship exercised by the responsible public officials. The responsibility for providing such information is that of management. However, the auditor should comment if the data provided is insufficient to disclose any matters that may have a material effect upon the financial reports.

Adequate disclosure is that which is required by generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), as well as adherence to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). Disclosure should be fair, manageable and reasonably complete, not complex or difficult to understand.

Weight should be given to materiality, which is the relative importance or relevance of an item included in or omitted from a financial or operating report. There are no universal ratios or percentages that can be used as standards of materiality for financial or operational processes or transactions. Materiality should be based on judgment. Auditors should reference the AICPA Audit and Accounting Guide, *State and Local Governments* and *Government Auditing Standards and Circular A-133 Audits* for guidance on materiality. This Guide specifies that auditor reporting on governmental financial statements should be based on opinion units.

The following notes for the Schedules of Expenditures of Awards and Financial Assistance are required by OMB Circular A-133, Sec. 310. The sample financial statement disclosures presented in this chapter are illustrative of some of the more common disclosures or unique to NJ charter schools. They are not intended to be a boilerplate and should be included **only** if they apply to that charter school's CAFR. The source of reference (e.g. GASB Codification Section or NJ Department of Education) is included at the end of each sample note. Additional information and samples of the same disclosures can be found in the GFOA *Governmental Accounting, Auditing and Financial Reporting* (the Blue Book), GASB *Codification of Governmental Accounting and Financial Reporting Standards*, and the ASBO International Self-Evaluation Worksheet.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

**SAMPLE NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS AND
FINANCIAL ASSISTANCE**

Any Charter School
Notes to Schedules of Expenditures of Award and Financial Assistance
June 30, 20XX

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees, Any Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to GAAP basis is \$ _____ for the general fund and \$ _____ for the special revenue fund. See *Note 1* (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

Any Charter School
Notes to Schedules of Expenditures of Awards and Financial Assistance (Cont'd)
June 30, 200X

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

	Federal	State	Total
General Fund	\$	\$	\$
Special Revenue Fund			
Food Service Fund			
Total Awards & Financial Assistance	\$ _____	\$ _____	_____

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Anytown Charter School had the following loan balances outstanding at June 30, 200X:

<u>Loan Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal EPA	N/A	\$XXX,XXX

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 20XX. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 20XX.

FINANCIAL STATEMENT DISCLOSURES – OVERVIEW AND SAMPLE NOTES

Please note that the sample notes included in this section are not intended to be all inclusive. Auditors and charter school staff should also refer to GASB Codification Section 2300 and the AICPA Checklists and Illustrative Financial Statements for State and Local Governmental Units for further guidance on disclosures.

Categories of disclosures affected by GASB 34 and GASB 38 are indicated below with the paragraph of the Statement noted. Illustrative disclosures are reflected in both GASB Statements. In addition, GASB 38, Appendix B, par. 68 includes a list of disclosure requirements not changed. Samples for the capital assets and long-term liabilities may be found on the NJDOE website <http://www.nj.gov/njded/finance/fp/cafr/>.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

Summary of Significant Accounting Policies – GASB 34, par. 115; GASB 38, 6-8

Violations of Finance-related Legal or Contractual Provisions – GASB 38, par. 9

Capital Assets – GASB 34, par. 116-118

Long-term Liabilities – GASB 34, par. 116, 119

Short-term Debt – GASB 38, par. 12

Debt and Lease Obligations – GASB 38, par. 10-11

Disaggregation of Receivable and Payable Balances – GASB 38, par. 13

Interfund Balances and Transfers – GASB 38, par. 14

The disclosures should be revised where applicable for more recent applicable GASB Statements.

SAMPLE BASIC FINANCIAL STATEMENT NOTES

NOTE 1, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. BUDGETS/BUDGETARY CONTROL

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles. Encumbrance accounting is employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

SECTION III – REPORTING
CHAPTER 3 – NOTE DISCLOSURES

GASB 34 Model Illustration of Reconciliation

Notes to Required Supplementary Information Budgetary Comparison Schedule

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary) “revenues” from the budgetary comparison schedules	\$ 23,101,430	\$ 7,983,526
 Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(21,204)
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	\$ 23,101,430	\$ 7,962,322
Uses/outflows of resources		
Actual amounts (budgetary basis) “total outflows” from the budgetary comparison schedule	\$ 24,209,664	\$ 7,983,528
 Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are supplied for financial reporting purposes.		(21,206)
 Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfers (outflows) to general fund.		(2,668,125)
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	\$ 24,209,664	\$ 5,294,197

Auditor’s Note – The following POST-RETIREMENT BENEFITS information is Statewide data and should be utilized in the 2008-09 charter school CAFR. The data in this note is obtained from the NJ CAFR, June 30, 2008.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

NOTE X. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2008, there were **80,181** retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State made post-retirement (PRM) contributions of **\$592.7** million for TPAF and **\$224.3** million for PERS in fiscal year 2008.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS, and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2007, the State paid **\$116.0** million toward Chapter 126 benefits for **12,545** eligible retired members.

(GASB Cod. Sec. 2300.107(v))

Auditor's Note – The following sample footnote disclosures are notes that are frequently omitted from charter school CAFRs filed with the Department of Education. If applicable, the department **recommends** the following disclosures be included in the notes to the financial statements if applicable to that charter school.

NOTE X. COMPENSATED ABSENCES

The charter school accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter school employees are granted varying amounts of vacation and sick leave in accordance with the charter school's personnel policy. Upon termination, employees are paid for accrued vacation. The Charter School's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the Charter School for the unused sick leave in accordance with the Charter School's agreements with the various employee unions.

X = Applicable footnote number in the charter school's CAFR.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

In the charter school-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 200X, a liability existed for compensated absences in the Food Service Fund in the amount \$XX,XXX.

(GASB Cod. Sec., C60)

NOTE X. RISK MANAGEMENT

The charter school is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The charter school maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The charter school has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the charter school is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The charter school is billed quarterly for amounts due to the State. The table is a summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
20X8-20X9				
20X7-20X8				
20X6-20X7				

(GASB Cod. Sec. 2300.107(a))

NOTE X. INTERFUND BALANCES AND TRANSFERS.

Auditor's Note – GASB Statement No. 38, paragraphs 14 and 15 revised the required disclosures for Interfund Balances and Transfers. Charter school staff and auditors should refer to that statement for further discussion. Sample disclosures for Interfund Balances and Transfers, as well as other disclosures required by GASB 38 can be found in Appendix C of that document. The GASB Codification section 2300.903 also provides illustrations of certain required disclosures.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

NOTE X. FUND BALANCE APPROPRIATED

General Fund – of the \$ _____ General Fund balance at June 30, 200_, \$ _____ is reserved for encumbrances; and \$ _____ is unreserved and undesignated.

(GASB Cod.Sec.2300.107(1))

STATISTICAL SECTION OF THE CAFR

Overview

The Governmental Accounting Standards Board (GASB) issued Statement No. 44, “Economic Condition Reporting: the Statistical Section”; an amendment of NCGA Statement 1, in May 2004, effective for periods beginning after June 15, 2005. This statement (GASB 44) revises the current statistical section of the Comprehensive Annual Financial Report (CAFR). New Jersey charter schools first implemented GASB 44 for year end June 30, 2006.

GASB 44 was issued to improve the understandability and usefulness of the statistical section information. Although most of the data is reported in the current model, GASB 44 modifies the presentation by establishing five categories – financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. GASB also addressed what it considered issues in the statistical tables section as currently presented:

- Consistency in statistical reporting among governmental entities,
- Completeness in statistical reporting by the entity, and
- Incorporation of the new government-wide reporting format required by GASB 34 into the entity’s statistical section.

Illustrations

The Department is providing samples of the statistical schedules that use the format of illustrations in GASB 44. The samples are intended to meet the requirements of GASB 44 as applied to New Jersey charter schools. In schedules which had optional placement of certain data or inclusion of data, the Department selected the format that is most consistent with the current schedules and most meaningful to the charter schools. Charter Schools may elect to present additional relevant statistical data, but for purposes of comparability, they should follow the basic format presented in the samples. The illustrations will be available on the NJDOE Office of Fiscal Policy and Planning website <http://www.nj.gov/njded/finance/fp/cafr> with additional guidance on preparation of the schedules.

Years of data

GASB 44 requires the presentation of the information described for the most recent ten years, unless otherwise specified. Governments are not required to report retroactively the charter school-wide financial data (Exhibit NJ J-1 through NJ J-2) but are encouraged to report this information starting with the year they implemented GASB 34. For other schedules, NJDOE strongly encourages reporting ten years data when it is available to provide trend information. Data which was not previously required must be reported at a minimum of one year. When currently reported data differs from the new requirements, charter schools are encouraged to restate the prior data if possible for comparability or explain how the data differs.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

- If statistical data cannot be obtained or estimated
 - Note N/A on the face of the schedule and explain on the schedule why the information is unavailable.

The Outline on the next two pages shows the schedules that will be included. The illustrations on the website assume the charter school is retroactively reporting to the year GASB 34 was implemented, 2002-03 for illustration purposes, and ten years for data that would be available where applicable.

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)

Revised NJ Exhibit # Category/New Title

*= 10 years data should be reported unless not available

Financial Trends Information Schedules

- J-1 *Net Assets by Component
- J-2 *Changes in Net Assets
- J-3 *Fund Balances - Governmental Funds
- J-4 *Changes in Fund Balances, Governmental Funds
- J-5 *General Fund Other Local Revenue by Source (NJ)

Revenue Capacity Information

- J-6 *Assessed Value and Estimated Actual Value of Taxable Property
- J-7 *Direct and Overlapping Property Tax Rates
- J-8 *Principal Property Taxpayers (Current Year and Nine Years Ago)
- J-9 *Property Tax Levies and Collections

Debt Capacity Information

- J-10 *Ratios or Outstanding Debt by Type
- J-11 *Ratios of General Bonded Debt Outstanding
- J-12 *Direct and Overlapping Governmental Activities Debt
- J-13 *Legal Debt Margin Information

Demographic and Economic Information

- J-14 *Demographic and Economic Statistics
- J-15 *Principal Employers, Current and Nine Years Ago

SECTION III – REPORTING
CHAPTER 3 –NOTE DISCLOSURES

OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44)(continued)

Revised NJ Exhibit # Category/Title

*=10 years data should be reported unless not available

Operating Information

J-16	*Full-time Equivalent Charter School Employees by Function/Program
J-17	*Operating Statistics
J-18	*School Building Information
J-19	*Schedule of Allowable Maintenance Expenditures by School Facility (NJ)
J-20	*Insurance Schedule (NJ)

June 30, 2009

SECTION III – REPORTING
CHAPTER 3 – NOTE DISCLOSURES

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SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Auditors' Management Report on Administrative Findings – Financial, Compliance and Performance (Auditors' Management Report), is the auditors' report to the board of trustees of their findings and recommendations as a result of the audit. It is issued separately from the CAFR and has the same due date for submission of November 5, 2009.

N.J.S.A. 18A:23-9 states that the auditor “...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each charter school .” This statute applies to the Auditor’s Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes all items contained in the separate schedule of findings and questioned costs included in the single audit section of the charter school’s CAFR. A separate report to the board of trustees outlining findings not included in the report of audit is considered a violation of this statute.

If an auditor detects an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9, and the auditor believes a recommendation is not needed because the error was insignificant and an isolated unintentional deviation from the Board’s standard operating procedure, the auditor must report the item as a finding, state that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion.

The report presents the recommendations immediately after the comments. Since this is a stand-alone document, some brief explanation of the statute or procedure for which there is noncompliance should be included so that the reader can understand the issue. The auditor should then include the finding and make a recommendation.

This section provides a sample of the Auditors’ Management Report. **It is not meant to be a boilerplate and should be adapted to the circumstances of the individual charter school audit.**

The standard format of the Auditor’s Management Report includes the following sections:

- A. Table of Contents
- B. Report of Independent Auditors
- C. Comments , Findings and Recommendations
- D. Schedule of Meal Count Activity
- E. Schedule of Audited Enrollments.

- A. The Table of Contents is for organization purposes and is included to assist the reader in reviewing the report.
- B. The Report of Independent Auditors provides the reader with the basis and intent of the report as well as its distribution. The sample provided in this program may be expanded to include an opinion on the report if that is the individual firm's policy. Either format would be acceptable by the Department of Education. The report should contain both the firm name as well as the signature and license number of the public school accountant. The report should be on firm letterhead and dated the same as the auditors' reports included in the CAFR.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

- C. The Comments, Findings and Recommendations section includes items noted during the audit that require comments and recommendations, including a repeat of any items contained in a separate schedule of findings and questioned costs included in the single audit section of the charter school’s CAFR. Repeat audit findings should be cross-referenced to the current year finding (2008-x). The comments and recommendations must be specific under the following applicable headings:
1. Administrative Practices and Procedures
 2. Financial Planning, Accounting and Reporting
 3. School Purchasing Programs
 4. School Food Service
 5. Student Body Activities
 6. Enrollment System/Charter School Aid
 7. Facilities and Capital Assets
 8. Miscellaneous
 9. Follow-up on prior year findings

Recommendations must be included for all negative comments and areas of noncompliance cited, and at a minimum they are to be grouped in the above headings. The auditor may use sub groupings within these headings.

Auditor recommendations which are not the result of either a required comment or generated by a negative finding but rather represent suggestions to management should be grouped together and included at the end of the Auditor’s Management Report in a section titled “Suggestions to Management”. Management suggestions are not required to be included in the charter school’s Corrective Action Plan.

Required comments must include discussion on the following:

- Fire Insurance Coverage
- Surety Bonds as to Adequacy (see Note and table below)
 - N.J.A.C. 6A:23-2.5(c) “The independent school auditor shall verify the adequacy of the treasurer’s surety bond which is required by N.J.S.A. 18A:17-32, and shall include appropriate comment, and a recommendation, if needed in the annual school audit report.”
- Whether appropriate billing adjustments have been made for tentative and actual tuition charges.
- Examination of Claims
- A certification that the charter school charged no tuition for any student attending the charter school and all proceeds for a before/after school program were accounted for in an Enterprise Fund.
- Salary Accounts

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

- A certification that encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.
- A certification that charter school funds were provided and expended in the proper GAAP account /code and in accordance with the Charter School Budget Key Summary based upon audit testing of transactions. The comment must include a summary of the sample selection process, conclusions reached and additional procedures performed, if any.
- Whether the charter school has accurately completed its requests for social security reimbursement for TPAF members.
- Advertisement for bids in accordance with statutory requirements. A general statement that bids were advertised where required, with all exceptions listed is satisfactory. Any items of noncompliance should be listed and Title 18A:18A Public School Contracts Law should be quoted.
- The condition of the records, with both positive and negative findings for:
 1. Athletic Association
 2. Food Services
 3. Student Activity Funds
 4. Secretary and Treasurer status reports - monthly reporting of budget versus actuals, cash reports and cash reconciliations (status of Secretary’s accounting records must be noted)
 5. Capital Asset Records

Note: The minimum requirements for the surety bond shall be such percentage of the current year's school budget as is required in the schedule set forth in *N.J.A.C. 6A:23-2.5*. In fixing the minimum bond, the nearest even \$1,000 shall be used.

Up to \$100,000	20% of Budget (Minimum \$10,000)
\$100,000.01 to \$250,000	\$20,000 + 15% of all over \$100,000
\$250,000.01 to \$500,000	\$42,500 + 13% of all over \$250,000
\$500,000.01 to \$750,000	\$75,000 + 8% of all over \$500,000
\$750,000.01 to \$1,000,000	\$95,000 + 4% of all over \$750,000
\$1,000,000.01 to \$2,000,000	\$105,000 + 2% of all over \$1,000,000
\$2,000,000.01 to \$5,000,000	\$125,000 + 1% of all over \$2,000,000
\$5,000,000.01 to \$10,000,000	\$155,000 + 1/2% of all over \$5,000,000
\$10,000,000.01 and upwards	\$180,000 + 1/4% of all over \$10,000,000

- D. The Schedule of Meal Count Activity provides a summary of the results of the audit testing of the number of meals claimed for reimbursement under federal subsidy programs. The schedule calculates an (over)under claim based on the differences between the meals claimed and meal counts verified by the auditor. Eligibility application exceptions/reclassifications should also be quantified and included in this schedule. A finding and recommendation should be included for any differences noted.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

- E. The Schedule of Audited Enrollments provides a summary of the results of the audit testing of the School Register and submission of enrollment counts to the department. It documents the information reported on the submission to the department in comparison to the charter school register. A finding and a recommendation should be included for any differences noted. Additionally, any major deviations from procedures on student record keeping must be noted (i.e. dropping/reporting of students after a consecutive 10 day absence).

Government Auditing Standards require that the schedule of findings and questioned costs included in the single audit section of the CAFR present each finding in a format that addresses the condition (what is), criteria (what should be), effect (the difference between what is and what should be), cause (why it happened), and recommendation. Auditors should reference USOMB Circular A-133 (Section .510) for specific requirements on the reporting of audit findings in the schedule of findings and questioned costs when a federal single audit of the charter school is required. When repeating the findings in the Auditors' Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditors' Management Report.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

(SAMPLE AMR)

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
 FINANCIAL, COMPLIANCE AND PERFORMANCE**

Table of Contents

	Page No.
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning Accounting and Reporting	
Examination of Claims	2
Payroll Account	2-3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	
• General Classifications	4
• Administrative Classification	5
Board Secretary’s Reports	6
Treasurer's Records	7
Elementary and Secondary Education Act/Improving America’s School Act as reauthorized by the No Child Left Behind Act of 2001	8
Other Special Federal and/or State Projects	9
T.P.A.F. Reimbursement	9
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement of Bids	10-11
School Food Service	11-13
Student Body Activities	13
Enrollment counts and submissions to the Department /Charter School Aid	13
Facilities and Capital Assets	14
Miscellaneous	14
Follow-up on Prior Year Findings	14
Acknowledgment	14
Schedule of Meal Count Activity	15
Schedule of Audited Enrollments	16-17

TAX IDENTIFICATION NUMBER: _____

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

(SAMPLE AMR)

Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
_____ Charter School
County of _____, 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 Trustees of the _____ Charter School in the County of _____ for the year ended _____, 20__, and have issued our report thereon dated _____, 20__.

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 report is intended for the information of the _____ Board of Trustee's 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. _____
Firm Name

Date _____

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

(SAMPLE AMR)

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, and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, 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>
Anne Edwards	Business Office Manager/School Business Administrator	\$10,000.00
Michael E. Leonard	Treasurer	\$145,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with the Western Surety Company covering all other employees with multiple coverage of \$10,000.00.

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the charter school and all proceeds for a before/after school program were accounted for in an Enterprise Fund.

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.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

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 in the charter school and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Finding:

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (lead person, principals, and business administrator) to the NJ Department of treasury was not completed or was not filed by the March 15 due date (or was not filed).

Recommendation:

The Board of Trustees should designate someone to prepare and submit the certification as required by *N.J.S.A.* 18A:14.4 and submit the E-CERT1 if not yet submitted.

Finding:

Reporting of employee compensation for income tax related purposes did not comply with federal (or state) regulations regarding the compensation which is required to be reported. (State what the noncompliance issue was, e.g., lease value of vehicle not included in W-2, compensation at separation was deferred over five years by employee choice and should be included in W-2, fringe benefits were erroneously included in base salary for pension calculation purposes).

Recommendation:

The charter school should establish internal controls to ensure that compensation is properly recorded and reported, including taxable fringe benefits and other additional forms of compensation as applicable. Charter schools should also send corrected reporting to the applicable tax authority.

Finding:

Some employees were paid in excess of their approved contract amounts.

Recommendation:

All employees should be paid in strict accordance with their approved contracts.

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.

Finding:

Charter school personnel did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

Recommendation:

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time-frame of 60 to 90 days of year end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year end audit.

Finding:

Payments were made without proper authorization for amounts which exceeded the original approved purchase order amounts.

Recommendation:

The School Business Administrator should review the payments and purchase orders to ensure that all payments are properly authorized and consistent with *N.J.A.C.* 6A:23A-6.10(a)

Travel:

Finding:

The charter school did not obtain prior written approval of the Executive County Superintendent for a travel event that exceeded \$5,000 as required by *N.J.A.C.* 6A:23A-5.9.

Recommendation:

The charter school should implement a process for submitting requests for approval to the Executive County Superintendent at least 10 working days in advance of a travel event with a total cost exceeding \$5,000.

Finding:

The charter school did not have an approved board travel policy as required by *N.J.A.C.* 6A:23A-6.13 and *N.J.S.A.* 18A:11-12.

Recommendation:

The charter school board of trustees should adopt a travel policy that complies with *N.J.S.A.* 18A:11-12.

Finding:

Payment for travel by an employee was approved after completion of the travel event.

Recommendation:

The charter school board of trustees should revise its travel policy to ensure that payments will not be ratified after completion of the travel event unless the policy excludes regular business travel from the pre-approval requirement. *N.J.A.C.* 6A:23A-7.2(d).

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the *N.J.A.C.* 6A:23-2.2(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:23-8.2. As a result of the procedures performed, a transaction error

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

rate of 1.90% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

Finding:

During our test of transactions it was noted that the charter school misclassified and misbudgeted professional development costs for non-instructional staff as Instructional Purchased Professional/Technical Services (line 45). The expenditure and related appropriation was reclassified to Administrative Costs - Purchased Professional/Technical Services (line 55) for financial statement presentation purposes.

Recommendation:

Charter school personnel should reference Charter School Budget Key Summary and other available reference materials, such as *The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools, 2003 Edition* to be in compliance with N.J.A.C. 6A:23-2.2(f)

B. Administrative Classification Findings

Finding:

During our test of transactions it was noted that the salary of the chief school administrator was allocated to Instructional Staff Training Services. The expenditure and related appropriation were reclassified to Support Services – General Administration for financial statement presentation purposes.

Recommendation:

See recommendation below.

Finding:

During our test of transactions it was noted that the salary of the principal was allocated to the plant maintenance and transportation functions. The expenditure and related appropriation were reclassified to Support Services – School Administration for financial statement presentation purposes.

Recommendation:

See recommendation below.

Finding:

During our test of transaction it was noted that legal fees for the placement of a special education student was charged to Other Support Services – Student Extraordinary Services. The expenditure and related appropriation was reclassified to Support Services - General Administration for financial statement presentation purposes.

Recommendation:

See recommendation below.

Finding:

During our test of transactions it was noted that there were no salary expenditures of clerical staff recorded in Central Services as had been in prior years. Clerical positions that were recorded in the prior

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

year in central services were not eliminated but instead reclassified to Attendance without proper documentation to support this change.

Recommendation:

Charter Schools should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2003 Edition* and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(f)*.

Finding:

During our test of transactions it was noted that the salary of the business administrator was allocated to instruction without documentation that supports the business administrator provided direct classroom instruction as part of the charter school’s regular curriculum.

Recommendation:

See recommendation below.

Finding:

During our test of transactions it was noted that the salary of the chief school administrator was allocated to instruction without documentation that supports the chief school administrator provided direct classroom instruction as part of the charter school’s regular curriculum.

Recommendation:

The allocation of administrative salaries to instruction or support functions should be supported by documentation providing a reasonable allocation method, such as time sheets or teaching roster to support direct classroom instruction as part of the regular curriculum.

Finding:

During our test of transactions it was noted that many of the charter school’s responses to the required completion of the charter school questionnaire were incomplete.

Recommendation:

The charter school should compare the completed charter school questionnaire and the payroll registers and an administrative certificated staff roster, or similar document, to assure accuracy and completeness of the charter school questionnaire.

Board Secretary’s Records

Our review of the financial and accounting records maintained by the business office disclosed the following items.

Finding:

Bids received were not summarized in the minutes (*N.J.S.A. 18A:18A-21*).

Recommendation:

Bids received should be summarized in the minutes of the Board Secretary.

Finding:

Acknowledgment of the Board's receipt (non-receipt) of the Board Secretary’s and Treasurer’s monthly financial reports was not included in the minutes.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

Recommendation:

The Board should acknowledge in the minutes receipt (non-receipt) of the Board Secretary’s and Treasurer’s monthly financial reports.

Finding:

Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the board secretary’s monthly certification to the contrary (*N.J.A.C. 6A:23-2.12*).

Recommendations:

Approved budgetary line accounts should not be overexpended. The Business Office should not approve the issuance of purchase orders, which would cause overexpenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

The Board Secretary should file monthly certifications of the budgetary line item status, which are consistent with the actual budgetary records.

Finding:

Payments to vendors were made prior to the receipt of goods.

Recommendation:

Payment should not be made until the receipt of goods.

Finding:

The capital asset records were not updated for the additions and disposals of capital assets made during the year.

Recommendation:

The Charter school should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

Finding

The Charter school is not maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining Federal funding for special education services.

Recommendation: The Charter school should establish procedures to ensure that it maximizes its efforts under the Special Education Medicaid Initiate (SEMI) for obtaining Federal funding for special education services.

Finding:

The charter school made board approved line-item transfers during the year but did not maintain a monthly transfer report and year-to-date transfers in a format prescribed by the Commissioner or approved by the County Superintendent.

Recommendation:

The charter school should maintain a monthly and year-to-date report of all line item transfers in a format prescribed by the Commissioner or approved by the County Superintendent.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

Finding:

The Treasurer did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (*N.J.S.A.* 18A:17- 36).

Recommendation:

Each month, the Treasurer should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

The Treasurer should promptly deposit all cash receipts.

Finding:

The Treasurer’s records were not in agreement with the records of the Business Office. Also, the Treasurer’s cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation:

The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Business Office.

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/N.C.L.B. 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.

The study of compliance for E.S.E.A. indicated the following areas of noncompliance and/or questionable costs.

Finding:

Salary charges were not documented each pay period. Allocated salary charges for teaching staff members were not supported by employee time sheets.

Recommendation:

The allocation of salaries among federal/state grants should be supported by employee time sheets.

Findings:

Three A.B.C. computers and software costing \$3,300 were charged to Title I-Part A. These items were not labeled Title I nor were they located in the designated Title I classrooms. The computer equipment

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

and software were located in an area utilized by the general school population. (Serial Nos. xxxxx,xxxxx and xxxxx).

Printing costs of \$1,200 for a brochure unrelated to E.S.E.A. were charged to the Title I-Part A grant.

Recommendation:

Only those costs associated with the federal/state grants should be charged to the grant.

Findings:

Due to Grantor balances were not returned/disposed of in accordance with the grant agreement.

Recommendation:

Due to Grantor balances must be returned immediately with the submission of the final grant expenditure report.

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 indicated the following areas of noncompliance:

I.D.E.A. Part B

Finding:

Separate accounting was not maintained for each approved project.

Recommendation:

The Board Secretary should maintain separate accounting with the account coding structure of the minimum outline for each state approved project within a federal/state grant program.

Finding:

Grant application approvals and acceptance of grant funds were not made by board resolution or recorded in the minutes.

Recommendation:

All filings of federal and state grant applications and subsequent acceptance of grant funds should be approved by board resolution and recorded in the minutes.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

T.P.A.F. Reimbursement

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

School Purchasing Programs

Contacts 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 is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A.* 18A:39-3 and 4.

Effective July 1, 2005 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-3 (as amended) and 18A:39-3 are \$21,000 and \$16,200 respectively.

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 questions arise 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 *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.

Finding:

A Widget computer costing \$18,000.00, not manufactured in the United States, was purchased even though bids submitted for American made computers met the specifications (*N.J.S.A.* 18A:18A-20, amended). (Serial No. XXXX)

Recommendation:

American goods and products should be used where possible.

Finding:

Notice of revisions to bid specifications for purchase of telephone equipment (non construction contracts) was not provided to a vendor who had received a bid package. (*N.J.S.A.* 18A:18A-21c, amended)

Recommendation:

The charter school should notify any person who has submitted a bid or received a bid package of revisions to bid specifications. One of three permissible means of notification should be used a) in writing by certified mail, b) by certified facsimile transmission, i.e., the sender's facsimile machine produces a receipt showing date and time of transmission and that the transmission was successful or c) by a delivery service that provides certification of delivery to the sender.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

Finding:

The purchase of a Fun video center costing \$19,500.00 and designated as made pursuant to a state contract was awarded to a vendor who did not have the state contract for the specific equipment purchased, according to the state contract award bulletin on file in the charter school's office.

Recommendation:

Contracts awarded to vendors pursuant to a state contract should be made for only those items specifically included in the state contract award bulletin for such vendor.

Finding:

Bids received, resulting in a capital improvement costing \$23,000.00, performed by MLA Construction Co., were not publicly unsealed and announced in the presence of the parties bidding or their agents (N.J.S.A. 18A:18A-21, amended).

Recommendation:

All bids should be unsealed and announced publicly in the presence of the parties bidding or their agents.

School Food Service

Note: The School Food Service section of the Auditor’s Management Report must contain statements such as those noted below (with the respective related findings, if applicable, cross-referenced to the CAFR). Also, please indicate “No Exceptions Noted” when there are no findings.

The financial transactions and statistical records of the school food services fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

(If applicable) The Charter School utilizes a food service management company and is depositing and expending program monies in accordance with *N.J.S.A.* 18A:17-34, and 19-1 through 19-4.1

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

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of trustees. No exceptions were noted.

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 on

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

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. Sites approved to participate in Provisions were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

Food Distribution Program commodities were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Auditor’s Note: The AICPA Audit Guide *Government Auditing Standards and Circular A-133 Audits*, section 7.13 defines food commodities distributed as non-cash federal financial assistance. The total value of the commodities received as well as the value distributed by charter school must be reflected as revenue and expenditures, respectively.

In the event that single inventories are not maintained sufficiently to allow the auditor to include this activity in the financial statements and schedules, a finding and recommendation must be included in the Auditor’s Management Report.

Finding:

Food Service accounting records maintained by the Charter School’s administration office did not agree with the records maintained by the Food Service Director.

Recommendation:

The Charter School should establish procedures that will reconcile the food service director’s records and the food service records maintained by the central administration office.

Finding:

Meals claimed did not agree with meal count records resulting in an overclaim, as detailed on the Schedule of Meal Activity (See Section II-60).

Recommendation:

Prior to submitting reimbursement vouchers to the N.J. Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

Findings:

A number of exceptions were noted regarding free and reduced price lunch applications. Applications were not properly completed; household income was not properly applied when determining free and reduced price and several applications were not available for audit. The resulting overclaim/underclaim has been identified by the auditor on the Schedule of Meal Count Activity.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

Recommendation:

The free and reduced applications/documentation should be properly determined, completed as required and available for audit. Incomplete or missing applications should be included in the paid (denied) category.

Finding:

Applications were placed in the incorrect category. The resulting overclaim/underclaim has been identified by the auditor on the Schedule of Meal Count Activity.

Recommendation:

The free and reduced applications should be reviewed by charter school personnel and properly classified as free, reduced, or paid.

In accordance with AICPA Statement of Auditing Standards (SAS) #70, as amended by SAS 88 (effective February, 2000), auditors must obtain an understanding of internal controls placed in service by service organizations whose services are part of the entity’s information system. Food service management companies must have a service audit performed by an independent audit firm engaged by the food service management company. This service audit must report on the food service management company’s control structure policies and procedures. It is the responsibility of the charter school management to award contracts to a food service management company only if such a service audit report has been issued. The requirement for provision of the SAS 70, as amended by SAS 88, report has been incorporated into the standard Food Service Management Company Contract. If the charter school is unable to provide such a service audit to the local charter school auditor, a negative finding and recommendation must be included in the Auditors’ Management Report.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Finding:

The Board had no policy, which clearly established the regulation of student activity funds.

Recommendation:

The Board should approve a policy establishing the regulation of student activity funds.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

All cash receipts should be promptly deposited.

Finding:

Not all cash disbursements had proper supporting documentation.

Recommendation:

Proper supporting documentation should be maintained for all cash disbursements.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

Enrollment counts and submissions to the Department

Our audit procedures included a test of enrollment information reported on October 15, 2008 and the last day of school for on-roll, special education, bilingual and low-income.

Finding:

The charter school had no written procedures for the proper maintenance and recording of student enrollment data.

Recommendation:

We recommend that the charter school prepare written procedures detailing the process for the two required enrollment counts. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail the various assigned responsibilities for collection of the data and the follow-up procedures to identify student information to be corrected in the subsequent count.

The charter school maintained written procedures appear to be adequate for the recording of student enrollment data

Finding:

The charter school had documentation on file for Free and Reduced Lunch but never forwarded copies to the resident district.

Recommendation:

All documentation, for which state aid is based, must be forwarded to the resident district.

Finding:

There were two instances where a student enrolled in the charter school was not in attendance for 10 days and was not dropped from the charter school’s register until 20 days after the last known day of attendance. According to the Department’s school register instructions, the charter school’s responsibility is to ensure the attendance of those students enrolled in their school. A student who has been absent 10 days for an unknown reason must be reported as a dropout. If the student is reported as a dropout, the charter school must immediately notify the school district of residence in writing of this condition on the 10th day.

Recommendation:

The charter school must make a concerted effort to notify the resident district of school dropouts in a timely manner in accordance with school register instructions.

Finding:

The charter school reported a student on the DOEnet and subsequently received charter school aid for a special education student who is attending a private school for the disabled. The educational costs for the

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

outside placement at the private school are a paid by the resident school district and not the charter school.

Recommendation:

The charter school must establish and implement procedures to ensure that any student attending a private school for the disabled is “dropped” from the charter school aid reporting to ensure that the district of residence is not double-billed for the student.

Finding:

The charter school reported full Average Daily Enrollment for a student on the DOEnet and subsequently received 100% of eligible charter school aid for student who is attending a county vocational program. County vocational schools are funded directly by the state for all enrolled students.

Recommendation:

The charter school must establish and implement procedures to ensure that the enrolled days of any student attending a county vocational program are reduced in the DOEnet to reflect that the student is only enrolled at the charter school part-time so as to ensure that the charter is not receiving overpayment from the district of residence.

Finding:

The charter school reported special education classification on the DOEnet for a student who was identified and began receiving related services subsequent to October 15th. Students identified after October 15th must be reported in the subsequent year..

Recommendation:

The charter school must establish and implement procedures to ensure reporting of Special Education Categorical Aid only for students who are identified and receiving related services prior to the October 15 ASSA reporting deadline.

Finding:

It was noted that the charter school was utilizing public school funds for non-mandated transportation of students to and from school (courtesy busing) in violation of N.J.S.A. 18A:39.

Recommendation:

The charter school must discontinue this practice immediately. If the charter school wishes to provide this service, it may either charge the parents for the full cost of the service or seek non-public sources of funding for the service.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year’s recommendations noted as current year finding “2008-X”:

Approved budgetary line accounts should not be overexpended (2008-X).

June 30, 2009

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

(If there were no prior year findings, indicate “Not Applicable” in this section. Do not omit the section.)

Acknowledgment

We received the complete cooperation of all the officials of the charter school and I greatly appreciate the courtesies extended to the members of the audit team.

SECTION III - REPORTING
CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)

SCHEDULE OF MEAL COUNT ACTIVITY

ANYTOWN CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	425,000	300,000	296,000	(4,000)	0.24	(\$960.00)
	Reduced	50,000	50,000	48,600	(1,400)	2.17	(3,038.00)
	Free	5,820	5,820	5,000	(820)	2.57	(2,107.40)
	TOTAL	480,820	355,820	349,600	(6,220)		(6,105.40)
School Breakfast (Regular Rate)	Paid	125	125	125	0	0.25	\$0.00
	Reduced	300	300	360	60	1.10	66.00
	Free	3,868	3,868	3,808	(60)	1.40	(84.00)
	TOTAL	4,293	4,293	4,293	0		(\$18.00)
Special Milk	Paid	2,500	2,500	2,500	0	0.1825	\$0.00
	Free	7,500	7,500	7,500	0	Avg.Cost	0.00
	TOTAL	10,000	10,000	10,000	0		\$0.00
After School Snacks	Paid	350	350	350	0	0.06	0.00
	Reduced	0	0	0	0	0.35	0.00
	Free (Area Eligible)	475	475	501	26	0.71	18.46
		825	825	851	26		\$18.46
TOTAL NET OVERCLAIM							(\$6,104.94)

(a) Reimbursement rates are subject to annual change. **Rates indicated here are for illustrative purposes only.** See appropriate rates in Section II, Chapter 60 - Child Nutrition Program Requirements.

(b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs.

(c) If the auditor’s review does not include an examination of all meals claimed for the year, this column must be labeled as and represent “MEALS TESTED” and not “MEALS CLAIMED”.

SCHEDULE OF AUDITED ENROLLMENTS

**ANYTOWN CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2008**

Grades	1		2		2a.		2b.		3		3a.					
	Submission to DOE reported	On Roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Service Provided	Verified # days	Low Income	documentation	Errors	Verified
Kindergarten	250	80	80	76	4	77	3	7	6	1	1	6	1	52	48	4
One	125	85	85	81	4	79	6	8	5	3	3	5	3	42	40	2
Two	125	85	85	82	3	82	3	5	5	0	4	4	1	45	40	5
Three																
Four																
Five																
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
Total	500	250	250	239	11	238	12	20	16	4	4	15	5	139	128	11
Percentage					4.4%		4.8%		20.0%		20.0%	25.0%		7.9%		

1. Determine sample for each count:
Total population is 500 students(Excel Spreadsheet)
Sample size for each count is 500 times 50%=250 students ensuring that all student records are audited by the second count sample.
Example: Sample size for each count: count 1 = 250, count 2 = 250. Total sample = 500.
Distribute the sample among the grades in the same proportion as the whole population.
Use random selection without replacement to choose sample.
Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)
The same student should not be chosen more than once for any of the two counts, therefore 500 different students should be tested.
Pursuant to N.J.A.C. 6A:11-7.2(j)1,4: The two counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.
2. Of the sample selected, the students identified as Special Ed &/or Bilingual.
 - 2a. Verify classification to the students IEP.
 - 2b. Verify the number of days that services were provided.
 - 2c. Verify that student is not enrolled in a private school for the disabled.
3. Of the sample selected, identify the students classified as low income.
 - 3a. Verify free lunch application &/or documentation from the charter/district.
 4. Verify whether student is enrolled in a county vocational program. ADE is adjusted in the Final Enrollment count

SCHEDULE OF AUDITED ENROLLMENTS

**ANYTOWN CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2009**

Grades	1		2		2a.		2b.		3		3a.		
	On Roll	Reported on workpapers	Verified signed registration forms	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Service Provided	Verified # days	Errors	Income documentation	Errors
Kindergarten	250	80	75	5	4	10	8	2	9	1	50	43	7
One	125	85	84	1	5	4	3	1	4	0	45	43	2
Two	125	85	82	3	7	6	5	1	6	0	60	58	2
Three													
Four													
Five													
Six													
Seven													
Eight													
Nine													
Ten													
Eleven													
Twelve													
Total	500	250	241	9	16	20	16	4	19	1	155	144	11
Percentage				3.7%	6.4%		20.0%		5.0%				7.1%

1. Determine sample for each count:
Total population is 500 students(Excel Spreadsheet)
Sample size for each count is 500 times 50%=250 students ensuring that all student records are audited by the second count sample.
Example: Sample size for each count: count 1 = 250, count 2 = 250. Total sample = 500.
Distribute the sample among the grades in the same proportion as the whole population.
Use random selection without replacement to choose sample.
Test all the specifics to the student selected in the sample.(i.e. Spec. Ed., Bilingual, Low Income, etc.)
The same student should not be chosen more than once for any of the two counts, therefore 500 different students should be tested.
Pursuant to N.J.A.C. 6A:11-7.2(j)1,4: The two counts sampled will be verification of the number of days enrolled and verification to the signed registration forms.
2. Of the sample selected, the students identified as Special Ed &/or Bilingual.
- 2a. Verify classification to the students IEP.
- 2b. Verify the number of days that services were provided.
- 2c. Verify that student is not enrolled in a private school for the disabled.
- 2d. Verify that student was identified and began receiving related services prior to October 15.
3. Of the sample selected, identify the students classified as low income.
- 3a. Verify free lunch application &/or documentation from the charter/district.
4. Verify whether student is enrolled in a county vocational program

SECTION III - REPORTING
CHAPTER 5 - AUDIT SUMMARY WORKSHEET DISKETTE

All charter schools are required to have their auditor complete and submit the Audit Summary (Audsum) Worksheet(s) computer diskette and the CAFR and then transmit the Auditor-completed Audsum data to the NJ Department of Education via the DOENET. This information is used by the Department of Education for various reporting and analytical purposes. The information from the Audsum diskette will be downloaded into the actual column of the DOE budget software used by the charter school. Charter schools cannot access and revise this data via the budget program if the data is incorrect. Only the auditor can make corrections through the submission of the revised Audsum diskette. For revisions, both the auditor and the charter school board secretary/business administrator must sign a new letter of transmittal and revised CAFR pages must also be submitted, if applicable. **The board secretary/business administrator is responsible for carefully reviewing the reports generated by the diskette and signing off on the transmittal letter as to the accuracy of the information. Both auditors and charter school personnel are warned to pay particular attention to the accuracy of the data submitted to avoid having to resubmit the data!**

Auditor's Note – The Department **highly recommends** that the Audsum be completed prior to filing the CAFR. The Audsum has numerous edits that can flag common reporting errors such as the reporting of special education program expenditures, food service operations, and fund balances.

Audit reports **will be considered incomplete** until the required audit summary worksheet diskettes are received by the statutory deadline. Please note that Charter School boards will be notified in writing of any changes made to the method of transmittal of the Audsum diskette.

Fund Balance (General Fund)

Separate lines for the breakout of the June 30 fund balance (general fund) are provided in the Audsum diskette. Corresponding lines for the July 1 beginning fund balance classifications are also provided to enable reporting the appropriate balances.

The following list is to be followed for the classification of ending fund balance – general fund:

- Legal reserves (10010)
- Reserved for encumbrances (10020)
- Reserve for encumbrances – Capital Projects Funds (10030)
- Maintenance reserve account (10045)
- Unreserved – undesignated general fund balances (10070)
- Unreserved fund balance that is designated for subsequent year's expenditure (10075)

Transfer of Capital Project Fund surplus

When specifically approved by the Commissioner, charter schools may transfer surplus from the general fund to the Capital Projects fund. Such transfers should be shown in the CAFR as an operating transfer with the appropriate disclosure made in the notes to the financial statements. When reporting on the Audsum diskette, the restated balances after the transfer should be reported as the July 1 balances.

SECTION III - REPORTING
CHAPTER 5 - AUDIT SUMMARY WORKSHEET DISKETTE

Audsum Questions Related to Conditions for Appointment of State Monitor or Forensic Audit

Questions regarding the auditor opinions, material weaknesses, repeat audit findings, and return of federal funds are included in Audsum to enable the department to determine whether a charter school meets conditions for either appointment of a state monitor or a forensic audit. *N.J.S.A. 18A:7A-55* as amended by P.L 2007, c. 53, authorizes the Commissioner to appoint a State monitor for charter schools which meet criteria specified in the law, and pursuant to *N.J.S.A. 18A: 7A-57*, the state auditor will perform a forensic audit if a charter school has a general fund deficit and meets on of the criteria for State monitor.

Pre-Operating Revenues and Expenditures

In the first year of operations for a charter school, there may be expenses for the first 6 to 18 months prior to the charter school commencing operations. Auditors are instructed to include the revenues and expenditures for the start-up period in the FY 2008-2009 Audsum. Include year-end enrollment data.

NEW

Legal Costs

Beginning with the 2008-09 auditing period, auditors are required to separately report in the Audsum, all charter school incurred legal costs. Fees for in-house legal counsel are to be reported separately from those for contracted legal services.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

TO BE COMPLETED BY THE BOARD SECRETARY/BUSINESS ADMINISTRATOR

Questionnaire

The Questionnaire is to be completed annually by the charter school board secretary/business administrator. The charter school auditor’s will review this questionnaire in conjunction with their test of transactions and include a finding and recommendation for questionnaires substantially incomplete or inaccurate. In addition, charter schools are required to have ready for audit a listing of all staff positions requiring either a school administrative, principal or school business administrator certificate as detailed on item number 21 in Section III-6.

Checklists

Three checklists (Current Operating Funds, Student Activity Fund, and Food Service Fund) of actions to be performed or documents to have available in advance of the audit are provided here to assist business administrators in preparing for the year end audit. These checklists may be modified by the audit firm to incorporate additional documents as needed.

ADMINISTRATIVE CLASSIFICATIONS QUESTIONNAIRE

(To Be Completed by the Board Secretary/ Business Administrator)

Auditors should retain this questionnaire in their workpapers. The department may at a future time request this document for use in assessing potential need for further guidance and training.

1. a. Were all salaries of administrative staff requiring a school administrative, principal or school business administrative certificate recorded in administrative functions 230, 240, 25X and 290?

Yes _____ No _____

b. If no to 1a, is the coding consistent with prior years? Yes _____
No _____

c. If no to 1a, please list the position, the account coding and the rationale for account classification other than administration (attach additional sheet if necessary):

2. Is there a decline in administrative expenditures relative to total general fund expenditures from the previous year? Yes

_____ No _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

If yes, is the decline the result of reclassification or allocation of salaries?

Yes _____ No _____

Please provide an explanation for any fluctuation (attach additional sheet if necessary):

3. Were there any salaries recorded in functions 230, 240, 25X, and 290 in the prior year and not in the current year? Yes _____
_____ No _____

If yes, please list the position, the account coding and the rationale for the change (attach additional sheet if necessary):

4. Were there any non-certificated administrative staff allocated to a support function (exclude clerical positions)?
Yes _____ No _____

If yes, please list the position, account classification, and allocation method used (attach additional sheet if necessary):

5. Were any supervisor positions, with the exception of “supervisors of instruction,” requiring a principal or supervisory certification allocated to a support function?
Yes _____ No _____

If yes, please list the position, account classification, and allocation method used (attach additional sheet if necessary):

6. Did any of the administrative functions (functions 230, 240, 25X/290) have salary expenditures for administrators and no related clerical support salaries? For example, salaries are recorded in function 240-103, salaries of principals/vice principal but nothing

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

was reported in function 240-105, salaries of secretarial and clerical assistants.

Yes _____ No _____

If yes, please list the function(s) and rationale (attach additional sheet if necessary):

7. Were there any other line-item transfers or additional appropriations of surplus or unbudgeted revenue to an administrative function?

Yes _____ No _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

**CHECKLIST FOR ANNUAL AUDIT
CURRENT OPERATING FUNDS**

NAME OF SCHOOL

SCHOOL YEAR 2008-2009

- () 1. Copy of final budget approved by the board of trustees, including supporting documents and statements and any attachments.
- () 2. The entries in the financial records of the Board Secretary and the Treasurer of school moneys must be up-to-date and balances reconciled.
 - a. Complete all posting and closing entries for all financial records, including the net payroll account and payroll agency accounts as of June 30, 2009.
 - b. All adjusting entries must be made as of June 30 to reflect the accounting records on a modified accrual basis.
 - c. Annual report submitted to the board pursuant to *N.J.S.A. 18A:17-10*.
 - d. All entries in the Athletic Association records must be up-to-date and records must be balanced.
- () 3. Complete Comprehensive Annual Financial Report (CAFR) as June 30, 2009.
- () 4. Trial balance reflecting adjusting and closing entries as of June 30, 2009, as support for the CAFR.
- () 5. All books and records of the board secretary/business administrator but not limited to:
 - a. General Journal for FY 2008-09
 - b. Special Purpose Journals for FY 2008-09
 - c. General Ledgers for FY 2008-09
 - d. Revenue Subsidiary Ledgers for FY 2008-09
 - e. Expenditure Subsidiary Ledgers for FY 2008-09
 - f. Chart of Accounts for FY 2008-09
- () 6. All purchase orders for the year.
 - a. Analyses of open purchase orders at June 30, 2009.
 - b. Separate lists must be prepared for those orders representing accounts payable at June 30th and those orders that will be liquidated and paid in the subsequent fiscal years.
 - c. The total of these lists should agree with the June 30th general ledger balances for accounts payable and reserve for encumbrances, respectively.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

- () 7. Monthly reconciliations of all checking accounts must be prepared and available.
Bank statements for 13 months, including related canceled checks, debit and credit memos, returned by the bank and duplicate deposit tickets for the period July 1, 2008 through July 31, 2009.
- () 8. All cash on hand including the petty cash fund must be deposited in the bank depository by June 30, 2009.
- () 9. List of Investments, if any, outstanding as of fiscal year-end.
- () 10. Copies of all applications, third party contracts (when applicable), revenue verification notices, all approved budgets and budget modifications in connection with State and Federal Aid, including information on all approved special programs or projects.
- () 11. Monthly statutory financial statements of the Secretary (Form A-148) and Treasurer (A-149) per *N.J.S.A.* 18A:17-9 and 36.
- () 12. Minutes of board meetings, which should be reviewed prior to the audit to determine whether the proceedings are complete and properly signed. In connection with Board action, were the following subject matters recorded in the minutes?

- Full spread of the adopted detailed budget
N.J.S.A. 18A:22-8
- Board resolutions and full detail of Budget Transfers of line items with the budget or from surplus.
N.J.S.A. 18A:22-8.1 as amended by P.L. 2004, c.73.
- Board resolutions with two-thirds affirmative vote for transfers (if applicable)
N.J.S.A. 18A:22-8.1, as amended by P.L. 2004, c.73
- Organization Meeting
N.J.S.A. 18A:10-5
- Establishment of Petty Cash Fund
N.J.S.A. 18A:19-13, N.J.A.C. 6:23-2A.9
- Official Depositories
N.J.S.A. 18A:17-34
- Official Newspaper Designated
N.J.S.A. 18A:18A-21
- Bill or Voucher List
N.J.S.A. 18A:19-4
- Change Orders on Awarded Contracts
N.J.A.C. 6A:23-7.1
- Summary of Bids Received
N.J.S.A. 18A:18A-21
- Award of Contracts Bid
N.J.S.A. 18A:18A-36,37; and N.J.S.A.18A:18A-3,4,

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

Designation of EUS
N.J.S.A. 18A:18A-5 and N.J.S.A. 18A:18A-37
Designation of Qualified Purchasing Agent
N.J.S.A. 18A:18A-3
Authorization of Competitive Contracting Process
N.J.S.A. 18A:18A-4.1, 4.3, 4.4, 4.5
Payment of Emergency Contracts
N.J.S.A. 18A:18A-7
Capital Improvement Authorizations, Proposals and/or
Adoptions
N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39
Monthly Financial Report of the Treasurer of
School Moneys (Form A-149)
N.J.S.A. 18A:17-36
Monthly Financial Report of the Secretary
(Form A-148)
N.J.S.A. 18A:17-9
Investments-Authorization, Purchase and Recording
N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38
Reading and discussion of recommendations of the
Annual Report of Audit
N.J.S.A. 18A:23-5
Applicable Resolutions of Cancellations
Establishment of Capital Reserve Fund
N.J.S.A. 18A:7G-31
Establishment of Emergency Reserve Fund
N.J.S.A. 18A:7F-41(c)1
Election to defer 50% of the April 2009 PERS
(pension) payment (if applicable)
N.J.S.A. 43:15A-24

Required Board of Trustee Policies

Travel and Expense Reimbursement Policy
P.L. 2007, c.53; P.L. 2006, c.45, *N.J.A.C.*
6A:23A-7 effective December 18, 2008

- () 13. All vouchers, properly documented, and purchase orders should be available for inspection and review. The Business Administrator should be certain that all paid claims have been properly approved for payment, recorded in the minutes, and that affidavits or declarations have been completed on those exceeding one hundred fifty dollars (N.J.S.A. 18A: 19-3).
- () 14. A separate file including copies of all legal advertisements, such as the adopted budget, requests for bids, and resolutions awarding contracts or agreements for professional services.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

- () 15. All contracts, agreements, leases, and bids received in connection with the advertising referred to above. Contracts, which the board of trustees has entered into with the State Division of Purchase and Property in the purchase of materials, supplies or equipment for the charter school, must be available for review by the charter school auditor.
- () 16. A schedule of all insurance coverage and fidelity bond coverage in effect during the year, and the related policies or continuation certificates on hand.
- () 17. All employee contracts and a schedule of board approved salaries; a schedule of fringe benefits and post retirement payments by employee, type of benefit and dollar amount/value; authorization for non-contractual fringe benefits.
- () 18. A schedule detailing all staff whose position requires a school administrative, principal or school business administrator certificate pursuant to *N.J.A.C. 6A:12.3*. Such positions should include superintendent, assistant superintendent, school business administrator, director, principal, assistant/vice principal, etc. The format should include the title, salary, and general ledger account code(s), with an explanation provided for any deviation from administration, including any allocation methodology used.
- () 19. An analysis of any balance in the net payroll or payroll agency account.
- () 20. Monthly and quarterly remittance returns for all payroll agencies. Payroll tax reports, quarterly and calendar year end, including W-2s, for federal and state.
- () 20a. Forms 1099 and transmittal form.
- () 20b. NJ Form E-Cert1, Certification of Compliance with Federal and State Law Respecting the Reporting of compensation of Certain Employees.
- () 21. All paid and voided warrants and payroll checks, together with the bank statements on which they are listed, arranged in order by month. Certified and approved payroll registers in chronological order.
- () 22. All tuition contracts for regional day schools and/or other public schools and billings rendered on these contracts.
- () 23. The Treasurer of School Moneys should have his or her records in order and available during the course of audit.
- () 24. Records, bills, orders and other supporting documentation of Athletic Association.
- () 25. The October 15, 2008 supporting workpapers, documentation of internal procedures, school registers, applications for free and reduced meals, and student's individualized education program (IEP).
- () 26. Schedule of the amounts reimbursed by the state for the current year FICA employer contribution for its TPAF members on an accrual basis.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

- () 27. Analysis for each balance sheet account balance as of fiscal year-end (see Section I, Chapter 8, page I-8.2) including a schedule of June 30 encumbrances that supports the Reserve for Encumbrance account balance.
- () 28. Analysis of the miscellaneous income account including a schedule of receivables for miscellaneous income.
- () 29. Latest State Aid payment schedule reflecting the state aid for 2008-09.
- () 30. A schedule of all cash or in-kind contributions and donations, including donor, amount and disclosure of related parties, if applicable
- () 31. A schedule of all loans, including amount, terms and disclosure of related parties, if applicable
- () 32. Copies of all FY 09 charter school aid payment schedules (Oct. 15, 2008; Last day of School, 2009).
- () 33. Summary Schedule of Prior Audit Findings prepared in accordance with USOMB Circular A-133 section .315, if applicable.
 - a. Corrective Action Plan which was submitted to the county superintendent.
 - b. Copy of charter school certification to the county superintendent that all corrective actions of prior year has been taken.
- () 34. Copy of any audit or compliance report received from oversight or regulatory agencies during the current year and copies of any dispute resolutions related to prior year issues.
- () 35. Special Education Medicaid Initiative (SEMI) – refer to SEMI Provider Handbook and other correspondence from the NJ Department of the Treasury
 - a. Parental consent forms.
 - b. Documentation to verify that a service was provided on a specific date.
 - c. Records to indicate that a pupil either has a current IEP that specifies the services or was referred for evaluation.
 - d. Records which specify the practitioner providing the related service. The record should be adequate to verify that the service was provided to the pupil by a specific practitioner on a specific date.

Items required for Charter School-wide financial statement:

- () 1. Capital asset schedules, including the following detail:
 - a. Date placed in service.
 - b. Cost/basis.
 - c. Beginning of the year balance – accumulated depreciation.
 - d. Current year depreciation
 - e. Ending balance – accumulated depreciation.
 - f. Classification of the asset (e.g. land, building, equipment).
 - g. Method of depreciation (e.g. straight line).

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

- h. Useful life of each asset used in computing the depreciation. Charter Schools may refer to the standard useful life table on the following page for guidance on useful life of each asset. Charter Schools are not required to utilize the standard useful lives suggested but should develop a policy appropriate for the charter school use.
“This chart originally appeared in the book GASB Statement No. 34 Implementation Recommendations for Charter Schools and is reprinted with permission of the Association of School Business Officials International at <http://www.asbointl.org>.
- i. Identification by program.
If the asset is specifically identifiable to a program (see the lines used in the Statement of activities), then that program should be noted and depreciation should be charged to that program. If not, there should be an indication that it is not specifically identifiable. The assets should be in one of two categories based on how each asset is used – 1) governmental fund or 2) business-like activity (enterprise fund).

- () 2. Schedule of long-term liabilities for the following each category of debt – capital leases, compensated absences, other – (specify):
 - a. Beginning of year balance
 - b. Additions
 - c. Reductions
 - d. End of year balance
 - e. Amount due within one year
- () 3. Schedule of interest accrued on long-term debt.
- () 4. Trust documents (trust instruments or letter specifying restrictions) which support classification as either a permanent trust or private purpose trusts (e.g. scholarships).
- () 5. Worksheet for converting from governmental fund balances to net assets.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

The following table relates to item 1(h) under “Items required for GASB 34 financial reporting”.

Table 4.1

Asset Class	Examples	Est. Useful Life in Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalk, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation and air-conditioning system	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20
Machinery & Tools	Shop & maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, etc.	15
Science & Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating & printing equipment	10
Copiers		5
Communications Equipments	Mobile, portable radios, non-computerized	10
Computer Hardware	PC's, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletics Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string bass percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

“This chart originally appeared in the book GASB Statement No. 34 Implementation Recommendations for School Districts and is reprinted with permission of the Association of School Business Officials International: www.asbointl.org

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

**CHECKLIST FOR ANNUAL AUDIT
STUDENT ACTIVITY FUND**

(NAME OF SCHOOL)

SCHOOL YEAR 2008-2009

COMMENTS

- () 1. Monthly bank reconciliations of all checking accounts:
 - a. Bank statements for 13 months, including related canceled checks returned by the bank and duplicate deposit slips for the period July 1, 2008 through July 31, 2009. _____
- () 2. Cash Receipts and Cash Disbursements Journal. _____
- () 3. General Ledger of School Accounts. _____
- () 4. Paid and unpaid Invoices and Payment Forms covering School Year. _____
- () 5. Savings Account Pass Books or Certificates, including interest credited to June 30. _____
- () 6. Petty Cash Fund (including unreimbursed invoices) and School Change Fund, if applicable. _____
- () 7. Prenumbered receipts for the period July 1, 2008 through July 31, 2009. _____
- () 8. Copy of Annual Cumulative Report of Cash Receipts, Cash Disbursements and Balances at fiscal year-end, including completion of bank reconciliation at June 30, 2009. _____
- () 9. Records, bills, orders and other supporting documentation of the Student Activity Accounts. _____
- () 10. All entries in the Student Activity Account records must be up-to-date and records must be balanced. _____
- () 11. Copies of board resolutions approving each fund. _____
- () 12. Schedule of accounts receivable and accounts payable. _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

**CHECKLIST FOR ANNUAL AUDIT
FOOD SERVICE FUND**

(NAME OF SCHOOL)

SCHOOL YEAR 2008-2009

- () 1. Monthly bank reconciliations of all checking accounts.
 - a. Bank Statements for 13 months, including related canceled checks, returned by the bank and duplicate deposit slips for the period July 1, 2008 through July 31, 2009.
- () 2. Cash Receipts and Cash Disbursements Journal.
- () 3. General Ledger.
- () 4. Paid invoices and unpaid invoices applicable to the school year.
- () 5. Savings Account Pass Books or Certificates, including interest credited to fiscal year-end.
- () 6. Petty Cash Fund (including unreimbursed invoices) and School Change Fund, if applicable.
- () 7. Prenumbered receipts or billings for the period July 1, 2008 through July 31, 2009 for special affairs.
- () 8. Daily Cash Register tapes, properly identified, and daily cashier reports, indicating reconciliation to deposit.
- () 9. Reimbursement claims filed and schedule of claims receivable as of June 30.
- () 10. Copies of advertisements for bids, and copies of such bids awarded.
- () 11. Schedule of any receivables or payables as of June 30.
- () 12. Schedule of closing inventory of food and supplies.
- () 13. Copy of Annual Cafeteria Managers' Report of Operation for the school year.
- () 14. Agreement for School Nutrition Programs dated, signed by authorized representative and approved by New Jersey State Department of Education/Agriculture Officials (must complete certification on web-based system – SNEARS).
- () 15. Eligibility documents for free and reduced price meals.
- () 16. Meal count records, Edit Check Worksheets and/or daily summary sheets of number and type of meals served.
- () 17. Monthly Report (Summary of Meals Claimed) and Payment log for period of audit (in SNEARS).

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

- () 18. Verification summary (in SNEARS).
- () 19. Food Service Management Company contract (if applicable).
- () 20. Paid invoices to Food Service Management Company with fully itemized and verified bills (if applicable).
- () 21. Records, bills, orders and supporting documentation of the Food Service Fund.
- () 22. All entries in the Food Service Fund records must be up-to-date and records must be balanced.
- () 23. Food Service Management Company SAS #70/#88 report (if applicable).
- () 24. FSMC records identifying amounts of discounts, rebates and other applicable credits (for 2008-2009, this was only required from charter schools in a new base year FSMC contract for 2008-2009).
- () 25. FSMC accounting of donated commodities used during the year.
- () 26. Child Nutrition Program Agreement Addendum to participate in the Fresh Fruit and Vegetable Program, if applicable.
- () 27. Grant award agreement for Food Service Equipment Grant, if applicable.

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

NEW JERSEY DEPARTMENT OF EDUCATION
DIVISION OF FINANCE

A U D I T Q U E S T I O N N A I R E 2008-2009
(To Be Completed by the Public School Auditor)

CHARTER SCHOOL _____ **COUNTY** _____

The Audit questionnaire is a checklist of items specific to New Jersey charter schools which auditors should include as part of the audit workpapers to support the auditor’s opinion on the charter school’s compliance with laws and regulations. This checklist should be signed by the auditor and kept with the auditor’s workpapers and available to the department upon request.

Irregularities shown by answers given to questions must be covered by a comment and recommendation in the Auditor’s Management Report.

1. Was the charter school able to demonstrate an accounting system that was maintained in accordance with Governmental GAAP and the State prescribed publication entitled GAAP for New Jersey School Districts, A Technical Systems Manual?

_____ Yes _____ No

REMARKS (Required if answer is no) _____

2. Were copies of the following reports completed and available for examination?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Treasurer's Monthly Financial Statements. (N.J.S.A. 18A:17-36) (Form A-149)	_____	_____	_____
Secretary's Monthly Financial Report filed on a monthly basis. (N.J.S.A. 18A:17-9a) (Form A-148)	_____	_____	_____
Was the year-end report (June 30, 2009 A-148) prepared by the secretary, passed by board resolution and reflected in the minutes of the Board of Education at the July meeting?	_____	_____	_____
T.P.A.F. Reimbursement for June 30 – should be submitted to NJDOE by September 30. (N.J.S.A.18A:66-90)	_____	_____	_____
Vocational Education	_____	_____	_____

REMARKS: _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

3. Were the following Cash Reconciliations prepared monthly? If no, explain.

	<u>Monthly</u>		
	<u>Yes</u>	<u>No</u>	<u>N/A</u>
General Operating Fund	_____	_____	_____
Capital Projects Fund	_____	_____	_____
Food Service Fund	_____	_____	_____
Net Salary Account	_____	_____	_____
Payroll Agency Account	_____	_____	_____
Permanent Account	_____	_____	_____
Trust Fund	_____	_____	_____
Athletic Fund	_____	_____	_____
Student Activity Accounts _____	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____

REMARKS: _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

4. (A) Was the following information verified utilizing the bookkeeping records, maintained in accordance with Governmental GAAP?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Rental Billings	_____	_____	_____
Rental Revenue Accounts Receivable	_____	_____	_____
Cash and In-kind Contribution revenue	_____	_____	_____
Miscellaneous Revenue	_____	_____	_____
Miscellaneous Revenue Accounts Receivable	_____	_____	_____
Accounts Payable (including liabilities due to grantor agencies)	_____	_____	_____
Outstanding Purchase Orders	_____	_____	_____
Analysis of Net Payroll Account Balances	_____	_____	_____
Analysis of Payroll Agency Account Balances	_____	_____	_____

(B) Were the Board Secretary/Business Administrator Administrative Classifications Questionnaire and audit checklists (Operating Fund, Student Activity Fund, and Food Service Fund) completed by the Board Secretary/Business Administrator and were the records ready for audit?
 Yes _____ No _____

REMARKS: _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

5. Were the following revenue verification notices on hand for examination?	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Charter School Aid Payment Schedules	_____	_____	_____
Other: _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

6. (A) Were the board minutes properly signed Yes _____ No _____

(B) Are pre-numbered pages and/or marginal notes used in the maintenance of the minutes? Yes ___ No _____

(C) In connection with Board action were the following subject matters recorded in the minutes?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Full spread of the adopted detailed budget N.J.S.A. 18A:22-8	_____	_____	_____
Full detail of Budget Transfers N.J.S.A. 18A:22-8.1	_____	_____	_____
Organization Meeting N.J.S.A. 18A:10-5	_____	_____	_____
Establishment of Petty Cash Fund N.J.S.A. 18A:19-13, N.J.A.C. 6:23-2A.9	_____	_____	_____
Official Depositories N.J.S.A. 18A:17-34	_____	_____	_____
Official Newspaper Designated N.J.S.A. 18A:18A-21	_____	_____	_____
Bill or Voucher List N.J.S.A. 18A:19-4	_____	_____	_____
Change Orders on Awarded Contracts N.J.A.C. 6A:23-7.1	_____	_____	_____
Authorizations for Advertisement of Bids N.J.S.A. 18A:18A-21	_____	_____	_____
Summary of Bids Received N.J.S.A. 18A:18A-21	_____	_____	_____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

Award of Contracts Bid N.J.S.A. 18A:18A-36, 37 and N.J.S.A. 18A:18A-3.4	_____	_____	_____
Designation of EUS N.J.S.A. 18A:18A-5 and N.J.S.A. 18A:18A-37	_____	_____	_____
Designation of Qualified Purchasing Agent N.J.S.A. 18A:18A-3	_____	_____	_____
Authorization of Competitive Contracting Process N.J.S.A. 18A:18A-4.1, 4.3, 4.4, 4.5	_____	_____	_____
Payment of Emergency Contracts N.J.S.A. 18A:18A-7	_____	_____	_____
Capital Improvement Authorizations, Proposals and/or Adoptions N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39	_____	_____	_____
Monthly Financial Report of the Treasurer of School Moneys (Form A-149) N.J.S.A. 18A:17-36	_____	_____	_____
Monthly Financial Report of the Secretary (Form A-148) N.J.S.A. 18A:17-9	_____	_____	_____
Investments-Authorization, Purchase and Recording N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38	_____	_____	_____
Reading and discussion of recommendations of the Annual Report of Audit N.J.S.A. 18A:23-5	_____	_____	_____
Applicable Resolutions of Cancellations N.J.S.A. 18A:7G-31	_____	_____	_____
Establishment of Emergency Reserve Fund N.J.S.A. 17A:7F-41(c)1	_____	_____	_____
Board acknowledgement of audit firm peer review report N.J.A.C. 6A:23-2.2(i)2	_____	_____	_____
Required Board of Trustees Policies			
Travel and Expense Reimbursement Policy <i>N.J.S.A. 18A:11-12, N.J.A.C. 6A:23A-6.13, 7.2</i>	_____	_____	_____

REMARKS: _____

7. (A) Are records maintained in conformance with requirements prescribed by the state board of education per *N.J.A.C. 6A:23-2.1*?

Yes ___ No ___

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

(B) If an electronic data processing bookkeeping service company or educational management company is used, is an audit of the internal controls of the service company on file per *N.J.A.C. 6A:23-2.7?* _____ Yes _____ No _____

8. (A) Condition of Records: Comment on needed improvements in Auditor’s Management Report.

	<u>Satisfactory</u>	<u>Unsatisfactory</u>
Treasurer – General	_____	_____
Secretary – General	_____	_____
Capital Projects	_____	_____
Food Service	_____	_____
Payroll	_____	_____
Permanent Fund	_____	_____
Trust Fund	_____	_____
Athletic Funds	_____	_____
Student Activity Funds	_____	_____
Enrollment Submissions	_____	_____
Written Policies/Procedures for conducting the enrollment counts	_____	_____
Other:		
_____	_____	_____
	_____	_____

REMARKS:

((B) Are the Treasurer's records maintained independently of the Board Secretary's? Yes _____ No _____

(C) Were records of the Treasurer and Board Secretary reconciled on a monthly basis?

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

Yes _____ No _____

(D) In your opinion, are the books and records of any official in such unsatisfactory condition that comment and recommendation is made in the Auditor’s Management Report?

Yes _____ No _____

If answer is "yes", specify the officials referred to _____

9. (A) Were all payrolls approved by the charter school board of trustees and certified by the Secretary and President of the Board prior to issuance of salary checks?

Yes ___ No ___

REMARKS:

(B) Were bank deposits to Payroll Salary and Agency accounts detailed as to sources of Appropriations, Special Funds, Refund or Other Sources?

Yes ___ No ___

(C) Where outside services (computer services, educational management, etc.) are utilized, are the records adequate and do they leave an "audit trail?"

Yes ___ No ___

(D) Were payroll tax filings properly prepared, including fringe benefits where applicable?

10. (A) Is a requisition system operative in the charter school? Yes No ___

(B) Is there a sequential purchase order system operative in the charter school?

Yes ___ No ___

(C) Are purchase orders numerically recorded in a central register?

Yes ___ No ___

(D) Is an encumbrance system utilized in accordance with Governmental GAAP?

Yes ___ No ___

11. (A) Are credit cards utilized by board members and employees?

Yes ___ No _____

If answer is “Yes”, a comment and recommendation is required.

12. Are tuition contracts available for regional day schools and/or other public schools using the state prescribed form?

13. Has the Board’s Records Custodian adopted and made available to the public a Records

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

Request Form (N.J.S.A. 47:1A-5(f)) (OPRA) Yes _____ No _____

14. Has the statement of rights of appeal been posted pursuant to N.J.S.A. 47:1A-5(j)?
Yes _____ No _____

15. Were the monthly certifications of line-item appropriations and fund status filed in accordance with N.J.A.C. 6A:23-2.11 and Division of Finance Policy Bulletin 200-11?
Yes _____ No _____
(If no, appropriate comments and recommendations must be included in the annual audit report)

16. Expenditure Classification Test Results Summary

Dollar Value of Items Tested \$ _____
Dollar Value of Errors Noted \$ _____
Dollar Value Error Rate _____ %
Total Expenditures* \$ _____

* General Fund and Special Revenue Fund excluding on-behalf payments for TPAF (pension and FICA).

17. Is the charter school appropriately assisting the State in maximizing federal participation pursuant to section 7 of P.L. 1968, c.413 (C.30:4D-7)(SEMI Medicaid Program)? Consider the following:

a) Has the charter school appointed a SEMI Coordinator or contact person?
_____ Yes _____ No _____

b) Has the charter school applied for participation in the SEMI program with the Department of Education, Medicaid and the Public Consulting Group?
_____ Yes _____ No _____

c) Do the IEPs identify services which are eligible for reimbursement under the SEMI program?
_____ Yes _____ No _____

d) Does the charter school have a process for identifying new students eligible for the SEMI program?
_____ Yes _____ No _____

e) Does the charter school have a process for acquiring parental consent for students eligible for the SEMI program?
_____ Yes _____ No _____

f) Does the charter school have a process for documenting expenditures eligible for reimbursement under the SEMI program (refer to SEMI handbook) ?
_____ Yes _____ No _____

g) Has the charter school been uploading service data in a timely manner? Yes _____ No _____

h) Are parental consent forms available in the student file? Yes _____ No _____

i) Are annual reviews held for the students in the SEMI program?
_____ Yes _____ No _____

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

j) Are IEPs available for claims made under the SEMI program? Yes ___ No ___

18. Are instructional expenses at least 60% of general fund expenses?
N.J.A.C. .6A:11-7.3(e)? Yes ___ No ___

If answer is “No”, a comment and recommendation is required.

19. Are all revenue data and expenditures data items in the board-approved budget correctly classified as explained in a narrative description with the budget summary in the charter school application? Yes ___ No ___

20. Does the charter school have a fully functioning board of trustees, including a President and Treasurer/Custodian of School Funds ? Yes ___ No ___

21. Is the school utilizing the services of a Certified School Business Administrator who is performing all duties and responsibilities of this title? Yes ___ No ___

22. Did you verify that no voting member of the board of trustees is a paid vendor or employee of the charter school? Yes ___ No ___

23. Does the board on a monthly basis approve all expenditures? Yes ___ No ___

24. Do the President and Board Secretary /School Business Administrator sign all checks? Yes ___ No ___

If you answered “No” to any of the above, does the auditor’s management report, include comments and corresponding recommendations? Yes ___ No ___

25. Were administrative staff whose position requires a school administrative, principal or school business administrator certificate recorded in the administrative functions, and if not was the account coding in compliance with department guidance (NJ Chart of Accounts) and was proper supporting documentation maintained for any allocations? Yes ___ No ___

26. Did the charter school file its annual report required by *N.J.S.A. 18A:17-10* Yes ___ No ___

27. Is the charter school current in submitting all claims for reimbursable costs under the Federal E-rate in each of the following areas:

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

(28) Did the charter school participate in the following cost savings programs during 2008-2009?

(A) Telecommunications Services Yes _____ No _____

(B) Internet Access Yes _____ No _____

(C) Internet Connections Yes _____ No _____

(29) Did the charter school participate in the following cost savings programs during 2008-2009?
(*N.J.S.A. 18A:55-2 and N.J.A.C. 6A:23A-6.1(b)*)

(A) Alliance for Competitive Energy Services (ACES) Yes _____ No _____
If no, why didn't the charter school participate?

(B) Alliance for Competitive Telecommunications (ACT) Yes _____ No _____
If no, why didn't the charter school participate?

(C) New Jersey School Boards Association Insurance Group or a joint insurance fund Yes _____ No _____
If no, why didn't the charter school participate?

(D) New Jersey State Health Benefits Plan Yes _____ No _____
If no, why didn't the charter school participate?

(30) Has the charter school provided evidence that it has maximized enrollment of eligible students in the Special Education Medicaid Initiative (SEMI) program (*N.J.S.A. 18A:55-3 and N.J.A.C. 6A:23A-5.3*)? Yes _____ No _____

THIS QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE OFFICE OF SCHOOL FUNDING WITH EACH REPORT OF AUDIT FOR THE FISCAL YEAR 2008-2009. IT IS NOT TO BE BOUND IN THE REPORT.

SIGNATURE OF PUBLIC ACCOUNTANT

June 30, 2009

SECTION III – REPORTING
CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE

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SECTION III – REPORTING
CHAPTER 7 – SYNOPSIS AND CORRECTIVE ACTION PLAN

Synopsis and Hearing of Audit

N.J.S.A. 18A: 23-3 states in part that "The Commissioner annually shall publish a summary of such recommendations as made for each charter school and the steps which have been taken in each charter school for their implementation."

N.J.S.A. 18A:23-4 states “ The secretary of the board shall prepare or have prepared a synopsis or summary of the annual audit and recommendations, prior to the holding of the meeting of the board to take action thereon; A copy of which synopsis or summary shall be available for distribution to interested parties at the meeting.

In order to comply with the above requirements, it is requested that the charter school Board Secretary prepare the audit synopsis under the following format:

- a. Governmental Funds Balance Sheet (Exhibit B-1).
- b. Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit B-2).
- c. Reflect each audit recommendation under the applicable heading listed below. Include the subheadings listed on page III-4.5:
 1. Administrative Practices & Procedures
 2. Financial Planning, Accounting & Reporting
 3. School Purchasing Programs
 4. School Food Service
 5. Student Body Activities
 6. Facilities and capital assets
 7. Miscellaneous
 8. Follow-up on prior year findings
- c. A copy of the minutes of the board meeting at which the audit recommendations were read and discussed must be filed with the county superintendent of schools together with the synopsis within 30 days following the meeting at which the audit was discussed. **Specific board action and disposition of each audit recommendation must be duly noted in the minutes of the board. A general statement of the Board’s acceptance of the audit and recommendations is NOT in compliance with N.J.S.A. 18A:23-3 and 23-4. In addition, the minutes must address the corrective actions voted by the board and a completed Corrective Action Plan signed by the chief school administrator/lead person and the board secretary/school business administrator must be included with the synopsis.**

The copy of the minutes, synopsis and corrective action plan will be filed with the State Department of Education by the county office after they have been reviewed for accuracy and completeness. See the end of this section for a sample Corrective Action Plan.

The school business administrator must submit a certification (see sample format at end of this chapter) when all corrective actions have been fully implemented, but no later than June 30th of the subsequent fiscal year. The certification letter is to be submitted to the Office of School Funding, Division of Finance, PO Box 500, Trenton, NJ 08625-0500 , to the Single/Grants Audit Unit, Office of Compliance Investigation, P.O. Box 500, Trenton, NJ 08625-0500, and to the County Superintendent of Schools.

SECTION III - REPORTING
CHAPTER 7 - SYNOPSIS AND CORRECTIVE ACTION PLAN

CORRECTIVE ACTION PLAN 2008-09

NAME OF CHARTER SCHOOL _____ COUNTY _____

TYPE OF AUDIT _____

DATE OF BOARD MEETING _____

CONTACT PERSON _____

TELEPHONE NUMBER _____

RECOMMENDATION NUMBER	CORRECTION ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
_____	_____	_____	_____	_____

CHIEF SCHOOL ADMINISTRATOR/
LEAD PERSON

DATE

BOARD SECRETARY/SCHOOL BUSINESS ADMINISTRATOR

DATE

SECTION III – REPORTING
CHAPTER 7 – SYNOPSIS AND CORRECTIVE ACTION PLAN

[SAMPLE] CERTIFICATION OF IMPLEMENTATION OF CORRECTIVE ACTION PLAN

For the Fiscal Year ended June 30, 2009

Name of Charter School _____ County _____

I hereby certify that all corrective actions listed on the district's Corrective Action Plan (CAP) for the fiscal year indicated above have been fully implemented with the following exceptions:

CAP
Recommendation
Number

_____ [Comments] _____

_____ [Comments] _____

Board Secretary/Business Administrator _____ Date _____

Chief School Administrator/Lead Person _____ Date _____

Submit by June 30, 2010 to:

NJ Department of Education
Single/Grants Audit Unit
Office of Compliance Investigation
P.O. Box 500
Trenton, NJ 08625-0500

June 30, 2009

SECTION III – REPORTING
CHAPTER 7 – SYNOPSIS AND CORRECTIVE ACTION PLAN

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SECTION III – REPORTING
CHAPTER 8 – QUALITY ASSESSMENT REVIEW CHECKLIST

A Quality Assessment (Control) Review will be performed at the state level on each audit. The auditor should familiarize himself/herself with the following Quality Assessment (Control) Review form. The auditor’s review of this form should ensure that the audit contains sufficient information to answer the questions contained in the review, as well as eliminate time-consuming correspondence with Office of School Funding personnel in assuring compliance with Federal and State audit requirements.

CHARTER SCHOOL QUALITY ASSESSMENT REVIEW

Charter School _____

District of Residence/County _____

Audit Period _____ Date of Report _____

Date Report Received _____

Auditor Name _____ Audit Firm _____

Reviewed By _____ Date _____

Summary of Quality Assessment Review

In my opinion, the CAFR is:

- Acceptable, and requires no or only minor corrections.
- Substandard, and requires one or more major changes.

Comments: _____

I. Qualifications of Auditor

1. Is the audit performed by a registered municipal accountant or certified public accountant? (If answer is "Yes", mark #2 "No".) Yes _____ No _____
2. Is the audit performed by a public school accountant? (If the answer is "Yes", contact the State Board of Accountancy at 1-973-504-6380 to ascertain if licensed as both a public accountant and a public school accountant.) Yes _____ No _____

- 3. Is the audit report free of indications that the auditor is not independent? If not, follow up to determine if independence was impaired in appearance or in fact. Yes _____ No _____
- 4. Does the auditor have an external quality control review on file with the department? Yes _____ No _____

II. Financial Statements

The format of the CAFR should conform to the publication, Financial Accounting for New Jersey Charter Schools – The Audit Program and should strictly adhere to the prescribed sectioning of the report and numbering of exhibits as shown on **Intro 10-12** of The Audit Program. If a section or exhibit is not applicable to the charter school, the notation “N/A” should be indicated against that item in the Table of Contents. Exhibit numbers for any additional statements required under the circumstances should be assigned using the next available exhibit number within that series of statements/schedules.

- 1. Has the charter school followed GASB 34 for the fiscal year ending June 30? Yes _____ No _____
If “No”, is opinion qualified? Yes _____ No _____

- 1a. Is a complete table of contents as reflected in The Audit Program included? Yes _____ No _____
If “No”, describe deficiencies:

- 2. Are sections properly designated? Yes _____ No _____
(If “No”, make corrections in the CAFR and describe below.)

- 3. Are exhibits properly numbered? Yes _____ No _____
(If “No”, make corrections in the CAFR and describe below.)

- 4. Are all statements and schedules reflected in The Audit Program as applicable below either included in the CAFR or designated “N/A” in the table of contents, pages xiii through xv? Yes _____ No _____

If answer is “No”, list all omitted financial statements not designated as “N/A” in the table of contents. If additional space is needed, attach additional sheets.

5. Does the audit package submitted to the Department of Education include: Yes____ No____
- a. The CAFR ?
 - b. The Auditor's Management Report on Administrative Findings, Financial, Compliance and Performance?
 - c. Audit Summary Worksheet Diskette ?
- If this is the initial year did the charter school submit two reports
- 1) for the start up period ? Yes____ No____
 - 2) for the twelve month school year? Yes____ No____
6. Does the format for the revenue/expenditure financial statements follow the 108 line item budget summary form prescribed by the Department of Education in the New Jersey Charter School Application? Yes____ No____
7. Are restricted revenue accounts properly accounted for in accordance with GAAP? Yes____ No____
8. Do the fund types used in the financial statements conform to those described in GASB §1300.103? Yes____ No____
9. Are the food services program and the before/ after school programs recorded in an enterprise fund or an internal service fund? Yes____ No____
10. Does the information presented in the combining statements in Other Supplementary Information agree to the applicable funds statements or budget to GAAP reconciliation? Yes____ No____
- 11a. Does the statement of net assets include a balance for capital assets, net of accumulated depreciation and an amount for Net Assets, Invested in capital assets, net of related debt? Yes____ No____
- 11b. Does the statement of net assets include two lines for Noncurrent liabilities – Due within one year and Due in more than one year? Yes____ No____
- Yes____ No____

12. Have the basic financial statements, required supplementary information and other supplementary information been prepared in the format of the CAFR Outline for the GASB 34 Model?
 Yes___ No___
 Yes___ No___
13. Does the CAFR reflect the proper presentation of fund balance as reserved, designated and unreserved in the funds statements?
 (a) Are designated -reserved fund balances to be used for capital outlay only? Yes___ No___ N/A___
 (b) Have the appropriate disclosures related to the components of fund balance been made in the notes to the financial statements. Yes___ No___ N/A___
14. Are any of the fund balances reflected in the CAFR in a deficit position?
 If yes, is a finding and recommendation regarding the deficit included in the Auditor's Management Report? Yes___ No___
15. Are all interfund transfers reflected in the CAFR in accordance with statute and properly reported in accordance with GASB §1800.102-105? Yes___ No___ N/A___
16. Do the Budgetary Comparison Schedules reflect overexpenditures of line accounts in violation of N.J.A.C. 6A:23-2.12?
 If so, was the County Superintendent notified? Yes___ No___
 If the overexpenditure was greater than \$100,000, did the County Superintendent notify the Commissioner? Yes___ No___
- 16a. Is a comment and recommendation regarding overexpenditures included in the Auditors' Management Report? If not, a note to the auditor must be included in the QAR letter. Yes___ No___ N/A___
17. If the charter school is self-insured for workmen's compensation, have they properly accounted for the activity in accordance with GASB 10 and 30? (Self-insured worker's compensation plans should be accounted for in either the general fund or an internal service fund when there is no transfer of risk). Yes___ No___
18. If the charter school uses the reimbursement method (payment in lieu of contributions) for unemployment compensation, has the information been presented in the fiduciary fund statements? Yes___ No___ N/A___

19. Does the *Statement of Net Assets* report Net Assets in three components – Invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted (GASB 34, ¶477)? If no, answer (a) below.
- (a) Does the independent auditor’s report contain the associated qualification of opinion?
20. Does the Statement of Net Assets report the portion of compensated absences which matures within one year separately from the long-term portion? (GASB § 2200-116)
21. Are contributions and exchange transactions recorded and correctly classified on the financial statements?
- (b) Does the independent auditor’s report contain the associated qualification of opinion?
22. Do the notes to the financial statements include: (GASB §2300)
- (a) A summary of significant accounting policies that includes:
- i. An identification of the component units combined to form the reporting entity and the key criteria considered? (GASB §2600.119)
- ii. The basis of accounting including revenue recognition policies?
- iii. The method of encumbrance accounting and reporting?
- (b) Interfund receivables and payables?
- (c) Excess of expenditures over appropriations in individual funds?
- (d) Deficit fund balances or retained earnings of individual funds?
- (e) Material violations of finance-related legal and contractual provisions?(GASB §1200.112)
- (g) Do the notes to the financial statements for capital assets and noncurrent liabilities agree to the Statement of Net Assets (GASB ¶2300.111)

III. Reporting

23. Does the Independent Auditor's Report contain the following items:
- (a) A title that includes the word independent?

- (b) A statement that the financial statements of the governmental activities, the business-type activities, and each major fund, which collectively comprise the charter school's basic financial statements as listed in the table of contents were audited? Yes ___ No ___
- (c) A statement that the financial statements are the responsibility of management and that the auditor's responsibility is to express an opinion on the financial statements based on his audit? Yes ___ No ___
- (d) A statement that the audit was conducted in accordance with generally accepted auditing standards (GAGAS), *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes ___ No ___
- (e) A statement that generally accepted auditing standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement? Yes ___ No ___
- (f) A statement that the audit includes:
 - i. Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements? Yes ___ No ___
 - ii. Assessing the accounting principles used and significant estimates made by management? Yes ___ No ___
 - iii. Evaluating the overall financial statement presentations? Yes ___ No ___
- (g) A statement that the auditor believes that his audit provides a reasonable basis for his opinion? Yes ___ No ___
- (h) An opinion as to whether the financial statements present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, and each major fund as of the balance sheet date and the respective changes in financial position and cash flows, where applicable, for the period then ended in conformity with accepted accounting principles generally accepted in the United States of America? Briefly describe any qualifications:

- (i) Identification of the accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison schedules accompanying the financial statements and that limited procedures were applied? Yes___ No___
- (j) Identification of additional information accompanying the financial statements (relevant combining schedules) that have been subjected to the auditing procedures applied in the audit of the basic financial statements? Yes___ No___ N/A___
- (k) Identification of additional supplementary information (such as the introductory section and statistical tables) that has not been subjected to the auditing procedures? Yes___ No___ N/A___
- (l) An opinion as to whether the schedule of expenditures of federal awards and/or schedule of expenditures of state financial assistance is(are) fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole or a disclaimer of opinion?
Briefly describe any qualifications:

- (m) An opinion as to whether the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole or a disclaimer of opinion?
Briefly describe any qualifications:

- (n) Identification that the introductory section and statistical tables was not audited? Yes___ No___
- (o) The signature of the public accountant who performed the audit?
(The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, who employs the auditor.) Yes___ No___
- (p) The date of the audit report? Yes___ No___

24. (a) Have the schedules of expenditures of federal awards and expenditures of state financial assistance been prepared as prescribed by The Audit Program in Section II-SA ? Yes___ No___ N/A___
- If "No", describe deficiencies:

- (b) Do the funds received per the schedules agree with department/state disbursement records? Yes___ No___ N/A___
- (c) Based on federal and state financial assistance expenditures, was the proper type of audit report prepared? Yes___ No___ N/A___
- Total Federal Expenditures _____
 Total State Expenditures _____
25. Do the Notes to the Schedules of Awards and Financial Assistance include the following:
- (a) Basis of accounting of the data? Yes___ No___ N/A___
- (b) Disclosure of the nature of differences between amounts presented in the schedules and amounts reported in related reports? Yes___ No___ N/A___
- (c) Relationship of the data presented to the financial statements? Yes___ No___
- (d) Assumptions used to value noncash programs and means of calculations? Yes___ No___ N/A___
- (e) Unique matters necessary to understand the amounts presented for any individual program? Yes___ No___ N/A___
- (f) Other matters considered necessary to ensure the schedule is not misleading? Yes___ No___ N/A___
26. Have the schedule of audited enrollments been prepared as prescribed by The Audit Program? Yes___ No___
- 27.. Are there written procedures on how attendance is taken? Yes___ No___
28. Are there written internal procedures, which provide a description of the count process for the two required enrollment counts? The procedures should describe how the count was taken, who was responsible for compiling the data and completing the enrollment count submission, and the various assigned responsibilities for the collection of the data. Yes___ No___
29. Are the following reports included?
 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*? Yes___ No___ N/A___

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133? Yes___ No___ N/A___

30. Does the Report on Internal Control over Financial Reporting and Compliance and Other Matters contain the following elements?

- (a) A statement that the auditor has audited the financial statements and a reference to the auditor's report on the basic financial statements? Yes___ No___
- (b) A statement that the audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes___ No___
- (c) A statement that, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws, regulations, contracts, and grants? Yes___ No___
- (d) A statement that the auditor's objective was not to provide an opinion on compliance with those provisions? Yes___ No___
- (e) A statement that the results of tests performed disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey? Yes___ No___
- (f) A statement that the results of tests performed disclosed instances of non-compliance that are required to be reported under *Government Auditing Standards* and audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and reference to the accompanying schedule of findings and questioned costs by finding reference number? Yes___ No___ N/A___
- (g) A statement that, in planning and performing the audit, the auditor considered the internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting? Yes___ No___
- (h) The definition of a control deficiency and a significant deficiency? Yes___ No___
- (i) The definition of a material weakness? Yes___ No___

- (j) A statement that the auditor's consideration of internal control over financial reporting would not necessarily disclose all deficiencies in internal control that might be significant deficiencies or material weaknesses? Yes_____ No_____
 - (k) Was a significant deficiency noted? (if "Yes" answer (i.)-(ii), if "No" skip to 30(l)) Yes_____ No_____
 - i. A statement that significant deficiencies are described in the accompanying schedule of findings and questioned costs and the related finding reference number? Yes_____ No_____ N/A_____
 - ii. A statement about whether the auditor believes any of the significant deficiencies described in the report are material weaknesses and, if so:
 - 1. Identifies which one(s)? Yes_____ No_____ N/A_____
 - (l) If no significant deficiency was noted:
 - i. A statement that no matters that the auditor considered to be a material weakness were noted? Yes_____ No_____ N/A_____
 - (m) If applicable, a statement that certain matters reported to management in a separate letter (the Auditors' Management Report)? Yes_____ No_____ N/A_____
 - (n) A statement that the report is intended for the information of the Board, the New Jersey Department of Education, and Federal awarding agencies,? Yes_____ No_____
 - (o) The signature of the public accountant who performed the audit? Yes_____ No_____

(The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, who employs the auditor.)
 - (p) The date of the auditor's report? Yes_____ No_____
31. Does the **Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance** include the following:
- (a) A statement that the entity's compliance with the requirements described in U.S. Office of Management and Budget Circular A-133 Compliance Supplement and the New Jersey *State Grant Compliance Supplement* that are applicable to each of its major programs was audited? Yes_____ No_____
 - (b) A statement that compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the entity's management and that the auditor's responsibility is to express an opinion on compliance based on his or her audit? Yes_____ No_____

- (c) A statement that the audit was conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, audit requirements prescribed by the Division of Finance, Department of Education, State of New Jersey, and New Jersey OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*? Yes___ No___
- (d) A statement that generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States, OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to in item *a*, above, that could have a direct and material effect on a major program occurred? Yes___ No___
- (e) A statement that an audit includes examining, on a test basis, evidence about the entity's compliance with the requirements referred to in *a*, above, and performing such other procedures as considered necessary in the circumstances? Yes___ No___
- (f) A statement that the auditor believes that his or her audit provides a reasonable basis for an opinion? Yes___ No___
- (g) Reference to the accompanying schedule of findings and questioned costs for instances of noncompliance required to be reported in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 including related finding reference numbers? Yes___ No___ N/A___
Where applicable, identification of the type of compliance requirement and the major federal program for which noncompliance was reported? Yes___ No___ N/A___
- (h) An opinion as to whether the entity complied in all material respects, with the requirements referred to in item *a*, above?
Briefly describe any qualifications:

- (i) A statement that, in planning and performing the audit, the auditor considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular Letter 04-04? Yes____ No____
- (j) A statement that the management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs? Yes____ No____
- (k) The definition of control deficiency and significant deficiency? Yes____ No____
- (l) The definition of a material weakness? Yes____ No____
- (m) A statement that the auditor's consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses? Yes____ No____
- (n) Was a significant deficiency noted? (if "Yes" answer (i.)-(ii.), if "No" skip to (o)
 - i. A statement that significant deficiencies are described in the accompanying schedule of findings and questioned costs and the related finding reference number? Yes____ No____
 - ii. A statement about whether the auditor believes any of the significant deficiencies described in the report are material weaknesses and, if so:
 - 1. Identifies which one(s)? Yes____ No____
- (o) If no significant deficiency was noted:
 - i. A statement that no matters that the auditor considered to be a material weakness were noted? Yes____ No____ N/A____
- (p) A statement that the report is intended for the information of the Board, the New Jersey Department of Education, and Federal awarding agencies? Yes____ No____
- (q) The signature of the public accountant who performed the audit?
(The audit report must be signed by the individual making the audit or in charge of the audit and not by the firm or corporation, who employs the auditor.) Yes____ No____
- (r) The date of the auditor's report? Yes____ No____

31. Does the **Schedule of Findings and Questioned Costs** include the following four components:

- (a) A summary of the auditor's results which includes:
- i. The type of report issued on the financial statements? Yes___ No___
 - ii. Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses? Yes___ No___ N/A___
 - iii. A statement as to whether the audit disclosed any noncompliance, which is material to the basic financial statements? Yes___ No___
 - iv. Where applicable, a statement that significant deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses:
 - For federal awards? Yes___ No___ N/A___
 - For state financial assistance? Yes___ No___ N/A___
 - v. The type of report the auditor issued on compliance for major programs:
 - For federal awards? Yes___ No___ N/A___
 - For state financial assistance? Yes___ No___ N/A___
 - vi. A statement as to whether the audit disclosed any audit findings which the auditor is required to report:
 - For federal awards? Yes___ No___ N/A___
 - For state financial assistance? Yes___ No___ N/A___
 - vii. An identification of major programs:
 - For federal awards? Yes___ No___ N/A___
 - For state financial assistance? Yes___ No___ N/A___
 - viii. The dollar threshold used to distinguish between Type A and Type B programs was computed correctly:
 - For federal awards? Yes___ No___ N/A___
 - CPA FIRM DOE Calculation
 - For state financial assistance? Yes___ No___ N/A___
 - CPA FIRM DOE Calculation
 - ix. A statement as to whether the auditee qualified as a low-risk auditee:
 - For federal awards? Yes___ No___ N/A___
 - For state financial assistance? Yes___ No___ N/A___

- iv. When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position shall be described in the summary schedule. Yes___ No___ N/A___
- 33. Has an acceptable Corrective Action Plan been submitted to the department with the Audit Synopsis through the county office of education? Yes___ No___
- 34. Has a copy of the Federal Data Collection Form as per USOMB Circular A-133 been received by the department if auditee expended over \$500,000 in federal financial assistance? Yes___ No___ N/A___

III. Charter School Governance

1. Does the charter school have a fully functioning board of trustees, including a president, secretary and treasurer?

Yes _____ No _____

2. Are any voting members of the board paid vendors or employees of the charter school?

Yes _____ No _____

3. Is the charter school maintaining custody of public school funds? Is an educational management company overseeing/controlling all fiscal operations?

4. Does the board on a monthly basis approve all expenditures?

Yes _____ No _____

5. Do the president and secretary of the board sign all checks?

Yes _____ No _____

5. Does the board receive monthly financial statements, which include a bill list and a budget to actual?

Yes _____ No _____

IV. Comments and Recommendations

1. Does the Auditors' Management Report contain comments as outlined in The Audit Program as to the accuracy and completeness of financial reports and claims for advances or reimbursement to federal agencies or their representatives (i.e. Food Service Fund) and Child Nutrition Requirements?

Yes___ No_____

2. Are all irregularities disclosed in the Audit Questionnaire included as comments and recommendations in the Auditor's Management Report? (All negative comments, exceptions, or noncompliance noted in the Audit Report should have a corresponding recommendation) Yes _____ No _____

If answer to question 2 is "No", briefly describe omitted comments and recommendations:

3. Does the Auditors' Management Report provide comments both negative and positive on significant findings and recommendations from the previous audit to determine whether appropriate corrective actions had been taken? Yes _____ No _____ N/A _____