# ELYSIAN CHARTER SCHOOL
# OF HOBOKEN
# AUDITORS MANAGEMENT REPORT
# ON ADMINISTRATIVE FINDINGS
# FINANCIAL COMPLIANCE AND PERFORMANCE
# FOR THE YEAR ENDED JUNE 30, 2010

## XI. AUDITORS MANAGEMENT REPORT ON ADMINISTRATION FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE

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## REPORT OF INDEPENDENT AUDITORS

I have audited, in accordance with generally accepted auditing 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 Elysian Charter School, in the County of Hudson for the year ended June 30, 2010 and have issued my report thereon dated September 10, 2010.

As part of my audit, I 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 Elysian Charter School Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public records and its distribution is not limited.

Scott J. Loeffler
Licensed Public School Accountant No. 870

September 10, 2010

## ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

### GENERAL COMMENTS

#### 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 Trustee's, and the records of the various funds under the auspices of the Board of Trustee's.

#### School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

NJSA 18A:18A-3 states:

A. "Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which together with any other sums expended or forseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds does not exceed the sum of $7,500.00 or the amount determined pursuant to subsection B. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore."

B. "Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection A. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and the Philadelphia area as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1 of the year in which it is reported."

NJSA 18A: 18A-4 states,

"Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of NJS 18A: 18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as if provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to NJS 18A: 18A-3 except by contract or agreement."

Effective April 17, 2000 and thereafter the bids thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are $21,000 and $16,200 respectively.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or

supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per NJSA 18A: 18A-5.

My review of the contracts and agreements found that the school was in compliance as to the bid advertisements and awards.

**Insurance**

Insurance coverage was carried in the amounts as detailed in Exhibit I-5, Insurance Schedule, as contained in the Charter School's CAFR

**Examination of Claims**

**Finding**

An examination of claims paid during the period under review indicated that a formal certification system was not utilized for the whole year. However, the school through its corrective action plan supplemented a formal certification system.

**Recommendation**

It is recommended the school continue their formal purchase order system.

**Payroll Account**

The net salaries of all employees of the school were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

Salary withholdings were promptly remitted to the proper agencies.

All payrolls were certified by the Chairperson of the Board and Board Secretary/Business Administrator.

**Reserve for Encumbrances, Liability (Current) for Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, 2010 for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30, 2010. No exceptions were noted.

**School Food Service**

The financial transactions and statistical records of the School Food Services Fund were maintained in satisfactory condition. The financial accounts, meal count record and eligibility applications were reviewed on a test-check basis. The number of meals claimed for reimbursement was verified against meal count records. There were no modifications noted. Reimbursement vouchers were properly computed and timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed did not exceed the number of valid applications on file times the number of operating days. The free and reduced priced meal policy is uniformly administered throughout

the school. The required verification procedures for free and reduced price applications were available for review, no exceptions noted.

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

The school utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

The cash disbursement records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the nonprofit status of the school food service. Net cash resources did not exceed three months average expenditures. (See Exhibit F-1).

Exhibits reflecting Child Nutrition Operations are included in Section F of the Audit.

**Board Secretary's Records**

Generally the records of the Secretary of the Board were maintained in satisfactory condition.

Generally the bids received were summarized in the minutes (NJSA 18A:18A-21).

Acknowledgements of the School's receipt of the Board Secretary's monthly financial reports were all included in the minutes.

**GAAP Accounting Implementation**

The school's double entry system of accounting records were maintained in accordance with the Department of Education's prescribed GAPP Technical Systems Manual, pursuant to N.J.S.A. 18A: 4-14 and N.J.S.A. 6:20-2A. The new GAAP Accounting System provides adequate capabilities for monthly reporting.

**Enrollment Counts and Submissions to the Department**

My audit procedures included tests of information reported on the October 15, 2009, and the last day of school for on-roll, special education, bilingual and low-income. No exceptions were noted.

The Charter School maintained work papers on the prescribed state forms or their equivalent.

The Charter School has adequate written procedures for the recording of student enrollment data.

**Tuition Charges**

A review of the financial statements indicated that the charter school charged no tuition for any student attending the charter school.

**T.P.A.F. Reimbursement**

My audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

**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. 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.

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

**Other Special Federal and /or State Projects**

The charter school's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

My 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 with other special federal and/or state projects indicated no areas of noncompliance and/or questionable costs.

**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 my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. Correct action had not been taken on all prior year findings.

**ACKNOWLEDGEMENT**

I received the complete cooperation of all the officials of the school and I greatly appreciate the courtesies extended to me.

Respectfully submitted,

Scott J. Loeffler
Licensed Public School Accountant No. 870

**ELYSIAN CHARTER SCHOOL**

**FOOD SERVICE FUND**

**NUMBER OF MEALS SERVED AND OVER/UNDER CLAIM**

**June 30, 2010**

| PROGRAM | MEAL CATEGORY | MEALS CLAIMED | MEALS TESTED | MEALS VERIFIED | DIFFERENCE | RATE | POTENTIAL OVER-UNDER CLAIM |
|---|---|---|---|---|---|---|---|
| NATIONAL SCHOOL LUNCH (REGULAR RATE) | FREE | 5,498 | 5,498 | 5,498 | 0 | 2.78 | 0 |
| | REDUCED | 3,117 | 3,117 | 3,117 | 0 | 2.38 | 0 |
| | PAID | 15,585 | 15,585 | 15,585 | 0 | 0.29 | 0 |
| TOTALS | | 24,200 | 24,200 | 24,200 | 0 | | 0 |

| PROGRAM | MEAL CATEGORY | MEALS CLAIMED | MEALS TESTED | MEALS VERIFIED | DIFFERENCE | RATE | POTENTIAL OVER-UNDER CLAIM |
|---|---|---|---|---|---|---|---|
| SCHOOL BREAKFAST | FREE | 1,778 | 1,778 | 1,778 | 0 | 1.56 | 0 |
| | REDUCED | 660 | 660 | 660 | 0 | 1.26 | 0 |
| | PAID | 777 | 777 | 777 | 0 | 0.36 | 0 |
| TOTALS | | 3,215 | 3,215 | 3,215 | 0 | | 0 |

| PROGRAM | MEAL CATEGORY | MEALS CLAIMED | MEALS TESTED | MEALS VERIFIED | DIFFERENCE | RATE | POTENTIAL OVER-UNDER CLAIM |
|---|---|---|---|---|---|---|---|
| AFTER SCHOOL SNACKS N/A | FREE | 0 | 0 | 0 | 0 | 0.68 | 0 |
| | REDUCED | 0 | 0 | 0 | 0 | 0.34 | 0 |
| | PAID | 0 | 0 | 0 | 0 | 0.06 | 0 |
| TOTALS | | 0 | 0 | 0 | 0 | | 0 |

**ELYSIAN CHARTER SCHOOL**
**APPLICATION FOR CHARTER SCHOOL AID**
**ENROLLMENT COUNT AS OF OCTOBER 15, 2009**

**SCHEDULE OF AUDITED ENROLLMENTS**

**SAMPLE**

| GRADES | SUBMISSION TO DOE REPORTED ON ROLL | REPORTED ON WORK PAPERS | VERIFIED SIGNED REG FORMS | ERR | VERIFIED # OF DAYS ENROLLED | ERR | (INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL | VERIFIED DOCUMEN-TATION | ERR | VERIFIED # OF DAYS SERVICE PROVIDED | ERR | LOW INCOME | VERIFIED DOCUMEN-TATION | ERR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KINDERG/ | 33 | 16 | 16 | 0 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 |
| ONE | 32 | 16 | 16 | 0 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 |
| TWO | 33 | 17 | 17 | 0 | 17 | 0 | 2 | 2 | 0 | 2 | 0 | 3 | 3 | 0 |
| THREE | 32 | 16 | 16 | 0 | 16 | 0 | 2 | 2 | 0 | 2 | 0 | 3 | 3 | 0 |
| FOUR | 34 | 17 | 17 | 0 | 17 | 0 | 3 | 3 | 0 | 3 | 0 | 3 | 3 | 0 |
| FIVE | 32 | 16 | 16 | 0 | 16 | 0 | 4 | 4 | 0 | 4 | 0 | 4 | 4 | 0 |
| SIX | 33 | 16 | 16 | 0 | 16 | 0 | 2 | 2 | 0 | 2 | 0 | 5 | 5 | 0 |
| SEVEN | 33 | 16 | 16 | 0 | 16 | 0 | 2 | 2 | 0 | 2 | 0 | 4 | 4 | 0 |
| EIGHT | 30 | 15 | 15 | 0 | 15 | 0 | 2 | 2 | 0 | 2 | 0 | 4 | 4 | 0 |
| | | | | | | | | | | | | | | 0 |
| TOTAL | 292 | 145 | 145 | 0 | 145 | 0 | 17 | 17 | 0 | 17 | 0 | 29 | 29 | 2 |
| PERCENTAGE | | | | 0.00% | | 0.00% | | | 0.00% | | 0.00% | | | 0.00% |

**ELYSIAN CHARTER SCHOOL**
**APPLICATION FOR CHARTER SCHOOL AID**
**ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL -2010**

**SCHEDULE OF AUDITED ENROLLMENTS**

**SAMPLE**

| GRADES | SUBMISSION TO DOE REPORTED ON ROLL | REPORTED ON WORK PAPERS | VERIFIED SIGNED REG FORMS | ERR | VERIFIED # OF DAYS ENROLLED | ERR | (INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL | VERIFIED DOCUMEN-TATION | ERR | VERIFIED # OF DAYS SERVICE PROVIDED | ERR | LOW INCOME | VERIFIED DOCUMEN-TATION | ERR |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| KINDERG/ | 33 | 17 | 17 | 0 | 17 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 |
| ONE | 32 | 16 | 16 | 0 | 16 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 |
| TWO | 33 | 16 | 16 | 0 | 16 | 0 | 1 | 1 | 0 | 1 | 0 | 3 | 3 | 0 |
| THREE | 32 | 16 | 16 | 0 | 16 | 0 | 2 | 2 | 0 | 2 | 0 | 2 | 2 | 0 |
| FOUR | 34 | 17 | 17 | 0 | 17 | 0 | 4 | 4 | 0 | 4 | 0 | 4 | 4 | 0 |
| FIVE | 32 | 16 | 16 | 0 | 16 | 0 | 5 | 5 | 0 | 5 | 0 | 5 | 5 | 0 |
| SIX | 33 | 17 | 17 | 0 | 17 | 0 | 1 | 1 | 0 | 1 | 0 | 5 | 5 | 0 |
| SEVEN | 33 | 17 | 17 | 0 | 17 | 0 | 2 | 2 | 0 | 2 | 0 | 4 | 4 | 0 |
| EIGHT | 30 | 15 | 15 | 0 | 15 | 0 | 1 | 1 | 0 | 1 | 0 | 4 | 4 | 0 |
| | | | | | | | | | | | | | | 0 |
| TOTAL | 292 | 147 | 147 | 0 | 147 | 0 | 16 | 16 | 0 | 16 | 0 | 31 | 31 | 0 |
| PERCENTAGE | | | | 0.00% | | 0.00% | | | 0.00% | | 0.00% | | | 0.00% |