

**SECTION III – REPORTING**  
**CHAPTER 1 – AUDIT CRITERION AND SUBMISSION**

**Legal or Regulatory Requirements**

In any governmental audit in which the auditor is expected to give an opinion on the fairness of the presentations in financial reports, compliance with applicable laws and regulatory requirements is a matter of importance because noncompliance might result in liabilities not disclosed in the financial reports. Compliance with laws and regulatory requirements, in many instances, assumes an even greater importance since the recipients of the financial reports and the audit reports also want to know whether funds designated for certain purposes were spent for those purposes.

The standards for examination and evaluation require consideration of applicable laws and regulations in the auditor's examination. The standards for reporting require a statement in the report regarding any significant instances of noncompliance disclosed by the examination and evaluation work. What is to be included in this statement requires judgment. Significant instances of noncompliance, even those not resulting in legal liability to the audited entity, should be included.

Although the reporting standard is generally on an exception basis, i.e. , that only noncompliance need be reported, it should be recognized that governmental entities often want positive statements regarding whether or not the auditors' tests disclosed instances of noncompliance. This is particularly true in grant programs where authorizing agencies frequently want assurance in the auditor's report that this matter has been considered. For such audits auditors should obtain an understanding with authorizing agencies as to the extent to which such positive comments on compliance are desired. When coordinated audits are involved, the audit program should specify the extent of comments that the auditor is to make regarding compliance.

When noncompliance is reported, the auditor should place his findings in proper perspective. The extent of instances of noncompliance should be related to the number of cases examined to provide the reader with a basis for judging the prevalence of noncompliance.

**Peer Review**

*N.J.A.C. 6A:23A-16.2(i)* requires that charter schools engage only public school accountants who have had a peer review and obtain a copy of the audit firm's peer review. The board of trustees is required to review the peer review report prior to the engagement of a public school accountant for the annual audit, and to acknowledge its evaluation of the report in the minutes in which the board authorizes the engagement of the public school accountant to perform the annual audit. Generally, auditors will submit the peer review with the engagement letter for a repeat audit or if a new audit, with the proposal when responding to a board of education's request for proposal. The Department recommends that auditors review the board minutes to determine that the peer review has been reviewed prior to the audit engagement.

“In accordance with NJOMB Circular Letter 98-07, including any amendments or revisions thereto (NJOMB 04-04) a charter school board of trustees shall ensure that the public school accountant provides a copy of the most recent external peer/quality report to the Department, within 30 days after the initial engagement of a licensed public school accountant or firm and within 30 days after the issuance of a subsequent peer/quality report.”

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**

Auditors are encouraged to monitor the progress of Assembly bill A415 which would amend *N.J.S.A. 18A-23-1* and immediately provide an additional month for the completion of a charter school's annual audit. At the time of publication of this Audit Program, 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, 2010). 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-1.4) 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, AMR, Data Collection Form and Single Audit Summary must also be sent to the Department of Education. An additional copy of the CAFR, the AMR, Data Collection Form, and Single Audit Summary must be emailed to [school-funding@doe.state.nj.us](mailto: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

### **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 II-SA)
- Single Audit Summary (see Single Audit Section II-SA and the OFAC Website <http://www.state.nj.us/education/business/audit.htm>). Note that sections A, C, and F apply to all charter schools and section D applies to those charter schools subject to a federal and/or state single audit.

<b>MAILING ADDRESS</b> *(Note that the US Post Box should be used for mailing. The street address is for other forms of delivery.)	<b>AUDIT DOCUMENTS</b>	<b>TIME AFTER AUDIT TO SUBMIT/ # COPIES</b>
Federal Audit Clearinghouse  Bureau of the Census (Must use federal IDES to submit SF-SAC and Single Audit reporting package electronically to the Federal Audit Clearinghouse)**	Federal Reporting Package **  Federal Data Collection Form (Only required for charter schools expending \$500,000 or more in federal awards)	Within 30 days  One copy of each
<b>**see Single Audit Report Submission Requirements on page III-1.6</b>		
Commissioner of Education  Department of Education Office of Fiscal Accountability and Compliance/Single Audit 100 Riverview Plaza P.O. Box 500 Trenton, NJ 08625-0500 Telephone 609-984-5935	See Single Audit Summary for DOE submission requirements <a href="http://www.state.nj.us/education/business/audit/htm">http://www.state.nj.us/education/business/audit/htm</a>	Within five days
NJ Department of Agriculture ***  Bureau of Child Nutrition Programs * 33 W. State ST. - 4th floor P.O. Box 500 Trenton, NJ 08625-0500	Audit Reporting Package-CAFR (electronic copy only), AMR, Single Audit Summary & Corrective Action Plan (CAP)	Within five days; <b>One Copy</b>
Executive County Superintendent of Schools	Audit Reporting Package - CAFR, AMR, Single Audit Summary, & Corrective Action Plan (CAP)	Within five days - <b>-One Copy</b>
NJ Department of Education Office of Fiscal Accountability Attention: Kathy Ambrosio P.O. Box 500 Trenton, NJ 08625-0500 Telephone 609-341-5298	Audit Reporting Package-CAFR (electronic copy only), AMR, Data Collection Form, Single Audit Summary & Corrective Action Plan -email one copy to <a href="mailto:school-funding@doe.state.nj.us">school-funding@doe.state.nj.us</a>	Within five days - <b>-One Copy</b>
<b>NO HARD COPIES SHOULD BE MAILED TO THIS ADDRESS, ONLY ELECTRONIC</b>		

The Single Audit Unit in the Office of Fiscal Accountability and Compliance (OFAC) has designed a Single Audit Summary form which must be completed by auditors as follows:

- All Reporting packages must have Sections A, C and F completed.
- Auditors of charter schools which have federal single audits and/or state single audits must complete Section D.
- The shaded sections are either completed by the Single Audit Unit or are automatically calculated.

This form replaces the Type A worksheet and the CAFR Information Schedule/Checklist that was in this chapter in prior years. The form is available at a link titled “FY10 Single Audit Summary” accessed through the following link to OFAC’s website:

<http://www.state.nj.us/education/business/audit.htm>

## **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 the Federal Single Audit 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 Form SF-SAC and the Single Audit Reporting packages for fiscal periods ending on or after January 1, 2008 must be submitted online.
- Only one copy of the reporting package is required. If the audit requires distribution to another federal agency, the Federal Audit Clearinghouse will copy and distribute the required reporting packages to the federal agencies per §\_\_.320(d) of the Circular.

#### *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.

Data Collection Form information is entered electronically through the Federal Audit Clearinghouse Internet Data Entry System (IDES) at the website <http://harvester.census.gov/fac/collect/ddeindex.html>. Auditors should refer to the instructions at [http://harvester.census.gov/fac/collect08/main\\_instruct.pdf](http://harvester.census.gov/fac/collect08/main_instruct.pdf). For SF-SAC and OMB 133 submission questions contact the Federal Audit Clearinghouse by email [govs.fac@census.gov](mailto:govs.fac@census.gov) or phone 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 component of the Reporting Package. Charter Schools should prepare the A-133 corrective action plan in a timely manner so as to meet the filing deadline for submission to the Executive 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. The reporting package must be transmitted to the federal collection center electronically.

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)  
Single Audit Summary

#### *Corrective Action Plan – State requirements*

**The corrective action plan filed with the Executive 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 Executive 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.

### **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. Illustrative Auditor's Report Under OMB Circular A-133, Example 13-6, Schedule of Findings and Questioned Costs, has been revised for SAS No. 115. Published by the AICPA on March 11, 2010 the sample report is available at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/DownloadableDocuments/Illustrative%20Auditor%27s%20Reports%20Under%20OMB%20Final.pdf>

The applicable Single Audit reports required under the circumstances of the audit are to be included in the single audit section of the CAFR.



**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. 115, *Communicating Internal Control Related Matters Identified in an Audit*. SAS 115 is effective for audits of financial statements for periods ending on or after December 15, 2009 and is incorporated in section AU Section 325 available for download from the AICPA at:  
<http://www.aicpa.org/research/standards/auditattest/downloadabledocuments/AU-00325.pdf>

Sample reports updated to include Statement of Auditing Standards No. 115 terminology are available at the AICPA link:  
<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/Pages/default.aspx>. **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](http://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](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 generally 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 have been revised for SAS No. 115. Illustrative Auditor’s Reports Under GAS (4-1 through 4-7) have been published by the AICPA are available at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/DownloadableDocuments/IllustrativeAuditorsReportsUnderGASFINAL.pdf>

*Example*

<i>No.</i>	<i>Title</i>
4-1	Unqualified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Supplementary Information—State or Local Governmental Entity

**New Jersey Specific References to be included:**

- In paragraph 2, sentence 1, the phrase *“and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey”* should be added to the end of the sentence.
- If the audit has been conducted in accordance with OMB A-133, the paragraph which discusses the accompanying schedules of expenditures of federal awards and state financial assistance should also include the phrase *“and New Jersey OMB’s Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively”* in the first sentence.

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 <i>Government Auditing Standards (No Material Weaknesses Identified, No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters Identified)</i>
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**New Jersey Specific References to be included:**

- The last sentence of the first paragraph should include the phrase *“and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey”* at the end of the sentence.
- In the section for Compliance and Other Matters”, the last sentence of the first paragraph should include the phrase *“and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey”* at the end of the sentence.
- The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

The sample audit reports listed above are based on the assumption that no qualifications of opinion are required. Reports 4-4 through 4-7 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 included in the reports if such findings apply.

Auditors should reference the link above for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

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

Illustrative Auditor’s Reports Under OMB Circular A-133, (13-1 through 13-6), revised for SAS No. 115, were published by the AICPA on March 11, 2010 and are available at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/DownloadableDocuments/Illustrative%20Auditor%27s%20Reports%20Under%20OMB%20Final.pdf>

<i>Example No.</i>	<i>Title</i>
13-1	Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 ( <i>Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified</i> )

**New Jersey Specific References to be included:**

- In paragraph 1, sentence 1, the phrase “*and the New Jersey State Aid/Grant Compliance Supplement*” should be added after the reference to the OMB Circular A-133 Compliance Supplement.
- In paragraph 2, sentence 1, the phrases “*the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey*” and “*New Jersey OMB’s Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*” should be added in the sentence.
- In paragraph 2, sentence 2, the phrase “*and New Jersey OMB’s Circular 04-04*” should be added after the reference to OMB A-133.
- In paragraph 3, sentence 2, the phrase “*and New Jersey OMB’s Circular 04-04*” should be added after the reference to OMB A-133.
- The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

13-6	Schedule of Findings and Questioned Costs
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The sample audit reports listed above are based on the assumption that no qualifications of opinion are required. Reports 13-2 through 13-5 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 included in the reports if such findings apply. Auditors should reference the link above for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit* is effective for audits of financial statements for periods ending on or after December 15, 2009 requires changes to the Auditor’s Reports for June 30, 2010 audits and is incorporated into AU Section 325 available for download from the AICPA at:

<http://www.aicpa.org/Research/Standards/AuditAttest/DownloadableDocuments/AU-00325.pdf>.

June 30, 2010

**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 BASIC 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
<b>General Fund</b>	\$	\$	\$
<b>Special Revenue Fund</b>			
<b>Food Service Fund</b>			
<b>Total Awards &amp; Financial Assistance</b>	\$ _____	\$ _____	_____

**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.

**NOTE 7. SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. The following funds by program are included in schoolwide programs in the charter.

Program	Total
Title I, Part A: <i>Improving Basic Programs Operated by Local Education Agencies</i>	\$ 615,764
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	497,682
Title II, Part D: <i>Enhancing Education Through Technology</i>	112,071
Title IV Part A: <i>Safe and Drug-Free Schools and Communities</i>	150,319
Title V Part A: <i>Innovative Programs</i>	<u>170,987</u>
Total	<u>\$1,546,823</u>

**SECTION III – REPORTING**  
**CHAPTER 3 –NOTE DISCLOSURES**

**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/>.

**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
<b>Sources/inflows of resources</b>		
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)
<hr/>		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	\$ 23,101,430	\$ 7,962,322
<hr/>		
<b>Uses/outflows of resources</b>		
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)
<hr/>		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	\$ 24,209,664	\$ 5,294,197
<hr/>		

**Auditor’s Note** – The following POST-RETIREMENT BENEFITS information is Statewide data and should be utilized in the 2009-10 charter school CAFR. The data in this note is obtained from the NJ CAFR, June 30, 2009.

**SECTION III – REPORTING**  
**CHAPTER 3 – NOTE DISCLOSURES**

**NOTE X. POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 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, 2009, there were **84,590** retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. 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 \$1.38 billion for fiscal year 2009 and \$3.22 million for fiscal year 2008.

The State is also responsible for the cost attributable to P..L. 1992 c. 126, 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.

The state paid \$116.9 million toward Chapter 126 benefits for 13,320 eligible retired members in Fiscal Year 2009.

(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>
20X9-2010				
20X8-20X9				
20X7-20X8				

(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.

- If statistical data cannot be obtained or estimated

**SECTION III – REPORTING**  
**CHAPTER 3 –NOTE DISCLOSURES**

- 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)**

<b>Revised NJ Exhibit #</b>	<b>Category/New Title</b>
* = 10 years data should be reported unless not available	
<b>Financial Trends Information/Schedules</b>	
<b>J-1</b>	* Net Assets by Component
<b>J-2</b>	* Changes in Net Assets
<b>J-3</b>	* Fund Balances-Governmental Funds
<b>J-4</b>	* Changes in Fund Balances, Governmental Funds
<b>J-5</b>	* General Fund Other Local Revenue by Source (NJ)
<b>Revenue Capacity Information</b>	
<b>J-6 –J-9</b>	
<b>J-9</b>	
<b>Debt Capacity Information</b>	
<b>J-10</b>	* Ratios or Outstanding Debt by Type
<b>Demographic and Economic Information</b>	

**SECTION III – REPORTING**  
**CHAPTER 3 –NOTE DISCLOSURES**

<b>J-14</b>	*Demographic and Economic Statistics
<b>J-15</b>	Principal Employers, Current and Nine Yrs Ago
<b>OUTLINE OF NJ DOE STATISTICAL TABLES SECTION (GASB 44) (continued)</b>	
<b>Revised NJ Exhibit #</b>	<b>Category/Title</b>
* = 10 years data should be reported unless not available	
<b>Operating Information</b>	
<b>J-16</b>	* Full-time Equivalent Charter School Employees by Function/Program
<b>J-17</b>	* Operating Statistics
<b>J-18</b>	* School Building Information
<b>J-19</b>	*Schedule of Allowable Maintenance Expenditures by School Facility (NJ)
<b>J-20</b>	Insurance Schedule (NJ)

June 30, 2010

**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, 2010. Auditors are encouraged to track the progression of Assembly Bill A415 which proposes to add one month to the audit submission date beginning with the June 30, 2010 audit.

*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 (2009-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 for the following areas and detailed examples are included in the sample provided:

- Fire Insurance Coverage
- Surety Bonds as to Adequacy (see Note and table below)
  - N.J.A.C. 6A:23-16.4(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:23A-16.4*. 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. This schedule is included only if the Child Nutrition Program is a major program audited in the current audit period in accordance with federal OMB Circular A-133.

**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 Criteria or specific requirement (what should be); Condition (what is); Context (describe the work performed that resulted in the finding); Effect (the difference between what is and what should be); Cause (why it happened); Recommendation; and, Views of responsible officials and planned corrective actions. 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. The AICPA published Example 13-6 Illustrative Schedule of Findings and Questioned Costs (Revised for SAS 115) during March 2010 available on the AICPA’s website at:

<http://www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Resources/IllustrativeAuditorsReports/DownloadableDocuments/Illustrative%20Auditor%27s%20Reports%20Under%20OMB%20Final.pdf>.

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**

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**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.

**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.

***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.



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

Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules should 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:23A-16.2 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:23A-8.2. As a result of the procedures performed, a transaction error rate of 1.90% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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

***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:23A-16.2(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 year in central services were not eliminated but instead reclassified to Attendance without proper documentation to support this change.

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

***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:23A-16.2(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.

***Recommendation:***

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

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

***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:23A-16.10*).

***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 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.

**Treasurer's Records**

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

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***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 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.

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***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.

**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.

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**CHAPTER 4 – AUDITOR’S MANAGEMENT REPORT (AMR)**

**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.

***Finding:***

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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. Provisions of the FSMC contract/addendum were reviewed and audited.

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 file, times the number of operating days, on a school by school basis. The free and reduced price meal



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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.

***Recommendation:***

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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.

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**Enrollment counts and submissions to the Department**

Our audit procedures included a test of enrollment information reported on October 15, 2009 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 10<sup>th</sup> 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:***

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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 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 15<sup>th</sup>. Students identified after October 15<sup>th</sup> 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 “2009-X”:

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Approved budgetary line accounts should not be overexpended (2009-X).

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). Corrective action had been taken on all findings in the report dated XX/YY/ZZ. This finding is also included in the Schedule of Findings and Questioned Costs.

(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.

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School Food Service

**SCHEDULE OF MEAL COUNT ACTIVITY**

**ANYTOWN CHARTER SCHOOL**  
**FOOD SERVICE FUND**  
**NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM**  
**ENTERPRISE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE <sup>a</sup>	(OVER) UNDER CLAIM <sup>b</sup>
National School Lunch (Regular Rate)	Paid	425,000	300,000	296,000	(4,000)	.25	\$(1,000.00)
	Reduced	50,000	50,000	48,600	(1,400)	2.28	(3,192.00)
	Free	5,820	5,820	5,000	(820)	2.68	(2,197.60)
	<b>TOTAL</b>	<b>480,820</b>	<b>355,820</b>	<b>349,600</b>	<b>(6,220)</b>		<b>\$(6,389.60)</b>
School Breakfast (Regular Rate)	Paid	125	125	125	-0-	.26	\$-0-
	Reduced	300	300	360	60	1.16	69.60
	Free	3,868	3,868	3,808	(60)	1.46	(87.60)
	<b>TOTAL</b>	<b>4,293</b>	<b>4,293</b>	<b>4,293</b>	<b>-0-</b>		<b>\$(18.00)</b>
Special Milk	Paid	2,500	2,500	2,500	-0-	.16	\$-0-
	Free	7,500	7,500	7,500	-0-	Average Cost	-0-
	<b>TOTAL</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>-0-</b>		<b>\$-0-</b>
After School Snacks	<b>Paid</b>	350	350	350	-0-	.06	-0-
		-0-	-0-	-0-	-0-	.37	-0-
	<b>Free (Area Eligible)</b>	475	475	501	26	.74	19.24
	<b>TOTAL</b>	<b>825</b>	<b>825</b>	<b>851</b>	<b>26</b>		<b>\$19.24</b>
<b>TOTAL NET OVERCLAIM</b>							<b>\$(6,388.36)</b>

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To link to the sample Schedule of Audited Enrollments as of October 15th, click on the following link:

[Audited Enrollments](#)

[Select the tab entitled “October 15”](#)

To link to the sample Schedule of Audited Enrollments as of the last day of school, click on the following link:

[Audited Enrollments](#)

[Select the tab entitled “Last Day of School”](#)

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**SCHEDULE OF AUDITED ENROLLMENTS**

**ANYTOWN CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2010**

Grades	1		2		2a.		2b.		3		3a.			
	Submission to DOE reported On Roll	Reported on workpapers	Verified signed registration forms	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Service Provided	Verified # days	Low Income	Verified documentation	Errors	
Kindergarten	250	80	75	5	76	4	10	8	2	9	1	50	43	7
One	125	85	84	1	80	5	4	3	1	4	0	45	43	2
Two	125	85	82	3	78	7	6	5	1	6	0	60	58	2
Three														
Four														
Five														
Six														
Seven														
Eight														
Nine														
Ten														
Eleven														
Twelve														
<b>Total</b>	<b>500</b>	<b>250</b>	<b>241</b>	<b>9</b>	<b>234</b>	<b>16</b>	<b>20</b>	<b>16</b>	<b>4</b>	<b>19</b>	<b>1</b>	<b>155</b>	<b>144</b>	<b>11</b>
<b>Percentage</b>						<b>6.4%</b>			<b>20.0%</b>		<b>5.0%</b>			<b>7.1%</b>

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.
  - 3b. Verify whether student is enrolled in a county vocational program

**SCHEDULE OF AUDITED ENROLLMENTS**

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

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

- 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.
- Of the sample selected, the students identified as Special Ed &/or Bilingual.
  - Verify classification to the students IEP.
  - Verify the number of days that services were provided.
  - Verify that student is not enrolled in a private school for the disabled.
- Of the sample selected, identify the students classified as low income.
  - Verify free lunch application &/or documentation from the charter/district.
  - Verify whether student is enrolled in a county vocational program. ADE is adjusted in the Final Enrollment count

**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. The department uses this information 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 auditor and charter school personnel are advised 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.

An audit report **will be considered incomplete** until the required Audsum diskette is received by the statutory deadline.

#### **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. Governmental Accounting Standards Board Statement No. 54 (GASB 54) is not required for June 30, 2010 financial statements. Charter schools that choose to early implement this statement must provide audsum data using the existing terminology. GASB 54 will be required for June 30, 2011 financial statements and audsum will be modified at that time. There should be no fund balance for ARRA State Fiscal Stabilization Funds (SFSF) recorded in the general fund, ARRA-ESF and ARRA-GSF. Any ARRA ESF or ARRA-GSF that was drawn down and unexpended should be reported as deferred revenue.

For those charter schools that received ARRA Stabilization funds, the combined appropriations from the Budgetary Comparison Schedule should be entered in the Audsum.

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)

**SECTION III - REPORTING**  
**CHAPTER 5 - AUDIT SUMMARY WORKSHEET DISKETTE**

**Transfer of Surplus to the Capital Project Fund**

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.

**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 one 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 2009-2010 Audsum. Include year-end enrollment data.

**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 for use by public school accountants when reviewing compliance with account coding of administrative expenditures. 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 18 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.

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

**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, and 25X?  
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 \_\_\_\_\_

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, and 25X 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):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

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):

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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):

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6. Did any of the administrative functions (functions 230, 240, and 25X) 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 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):

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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 2009-2010**

- ( ) 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, 2010.
  - 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, 2010.
- ( ) 4. Trial balance reflecting adjusting and closing entries as of June 30, 2010, 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 2009-10
  - b. Special Purpose Journals for FY 2009-10
  - c. General Ledgers for FY 2009-10
  - d. Revenue Subsidiary Ledgers for FY 2009-10
  - e. Expenditure Subsidiary Ledgers for FY 2009-10
  - f. Chart of Accounts for FY 2009-10
- ( ) 6. All purchase orders for the year.
  - a. Analyses of open purchase orders at June 30, 2010.
  - b. Separate lists must be prepared for those orders representing accounts payable at June 30<sup>th</sup> 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 30<sup>th</sup> 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.
  - a. 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, 2009 through July 31, 2010.
- ( ) 8. All cash on hand including the petty cash fund must be deposited in the bank depository by June 30, 2010.
- ( ) 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:23A-22.11

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, and 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

*N.J.S.A. 18A:11-12, N.J.A.C. 6A:23A-6.13, 7.2*

Public Relations and Professional Services Policy

*N.J.A.C. 6A:23A-22.6*

Nepotism Policy

*N.J.A.C. 6A:23A-22.10*

Contributions & Contract Awards Policy

*N.J.A.C. 6A:23A-2.11*

Policy on Exceeding Purchase Order Amounts

*N.J.A.C. 6A:23A-22.15*

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

- ( ) 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.
- ( ) 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:9-12.3. 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. The Treasurer of School Moneys should have his or her records in order and available during the course of audit.
- ( ) 23. All contracts, including transportation agreement, leases and conveyances. Include all salary, transportation and other written contracts.

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

- ( ) 24. Records, bills, orders and other supporting documentation of Athletic Association.
- ( ) 25. The October 15, 2009 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.
- ( ) 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 SFRA-state aid printout (NET) and payment schedule reflecting the state aid for 2009-10, ARRA-ESF & ARRA-GSF amounts (P-1), aid withholding (column P-2) and any Appeals/adjustments (column P-3).
- ( ) 30. E-rate-funding requests and claims for reimbursement for each of the following eligible service categories: telecommunications services, internet access and internet connections. Universal Service Fund Form 470 (E-rate), Description of Service Notification, and funding commitment letter, if applicable.
- ( ) 31. 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 executive county superintendent.
  - b. Copy of charter school certification to the executive county superintendent that all corrective actions of prior year has been taken.
- ( ) 32. 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.
- ( ) 33. 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.
- ( ) 34. Documentation to support all out of state travel expenditures should be available

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

- ( ) 35. Copies of all FY 10 charter school aid payment schedules (Oct. 15, 2009; Last day of School, 2010).
- ( ) 36. Copy of charter school certification to the executive county superintendent that all corrective actions of prior year has been taken
- ( ) 37. A schedule of all cash or in-kind contributions and donations, including donor, amount and disclosure of related parties, if applicable
- ( ) 38. A schedule of all loans, including amount, terms and disclosure of related parties, if applicable

**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).
  - 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

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

- ( ) 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](http://www.asbointl.org)."

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

**CHECKLIST FOR ANNUAL AUDIT  
STUDENT ACTIVITY FUND**

\_\_\_\_\_  
**(NAME OF SCHOOL)**

**SCHOOL YEAR 2009-2010**

- ( ) 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, 2009 through July 31, 2010.
- ( ) 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, 2009 through July 31, 2010.
- ( ) 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, 2010.
- ( ) 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 2009-2010**

- ( ) 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, 2009 through July 31, 2010.
- ( ) 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, 2009 through July 31, 2010 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 food service manager's 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.

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

- ( ) 17. Monthly Report (Summary of Meals Claimed) and Payment log for period of audit (in SNEARS).
- ( ) 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.
- ( ) 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 2009-2010**  
**(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 \_\_\_\_\_

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

Yes      No      N/A

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, 2010 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

\_\_\_\_\_

**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 _____	_____	_____	_____
_____	_____	_____	_____

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)	_____	_____	_____

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

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 \_\_\_\_\_

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 <i>N.J.S.A. 18A:22-8</i>	_____	_____	_____
Full detail of Budget Transfers <i>N.J.S.A. 18A:22-8.1</i>	_____	_____	_____
Organization Meeting <i>N.J.S.A. 18A:10-5</i>	_____	_____	_____
Establishment of Petty Cash Fund <i>N.J.S.A. 18A:19-13, N.J.A.C. 6:23-2A.9</i>	_____	_____	_____
Official Depositories <i>N.J.S.A. 18A:17-34</i>	_____	_____	_____

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

Official Newspaper Designated <i>N.J.S.A. 18A:18A-21</i>	_____	_____	_____
Bill or Voucher List <i>N.J.S.A. 18A:19-4</i>	_____	_____	_____
Change Orders on Awarded Contracts <i>N.J.A.C. 6A:23-7.1</i>	_____	_____	_____
Authorizations for Advertisement of Bids <i>N.J.S.A. 18A:18A-21</i>	_____	_____	_____
Summary of Bids Received <i>N.J.S.A. 18A:18A-21</i>	_____	_____	_____
Award of Contracts Bid <i>N.J.S.A. 18A:18A-36, 37 and N.J.S.A. 18A:18A-3.4</i>	_____	_____	_____
Designation of EUS <i>N.J.S.A. 18A:18A-5 and N.J.S.A. 18A:18A-37</i>	_____	_____	_____
Designation of Qualified Purchasing Agent <i>N.J.S.A. 18A:18A-3</i>	_____	_____	_____
Authorization of Competitive Contracting Process <i>N.J.S.A. 18A:18A-4.1, 4.3, 4.4, and 4.5</i>	_____	_____	_____
Payment of Emergency Contracts <i>N.J.S.A. 18A:18A-7</i>	_____	_____	_____
Capital Improvement Authorizations, Proposals and/or Adoptions <i>N.J.S.A. 18A:22-18 and N.J.S.A. 18A:22-39</i>	_____	_____	_____
Monthly Financial Report of the Treasurer of School Moneys (Form A-149) <i>N.J.S.A. 18A:17-36</i>	_____	_____	_____
Monthly Financial Report of the Secretary (Form A-148) <i>N.J.S.A. 18A:17-9</i>	_____	_____	_____
Investments-Authorization, Purchase and Recording <i>N.J.S.A. 18A:20-37 and N.J.S.A. 18A:20-38</i>	_____	_____	_____
Reading and discussion of recommendations of the Annual Report of Audit <i>N.J.S.A. 18A:23-5</i>	_____	_____	_____
Applicable Resolutions of Cancellations <i>N.J.S.A. 18A:7G-31</i>	_____	_____	_____
Establishment of Emergency Reserve Fund <i>N.J.S.A. 17A:7F-41(c)1</i>	_____	_____	_____
Board acknowledgement of audit firm peer review report <i>N.J.A.C. 6A:23A-16.2(i)2</i>	_____	_____	_____

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

**Required Board of Trustees Policies**

Travel and Expense Reimbursement Policy <i>N.J.S.A.</i> 18A:11-12, <i>N.J.A.C.</i> 6A:23A-6.13, 7.2	_____	_____	_____
Public Relations and Professional Services Policy <i>N.J.A.C.</i> 6A:23A-22.6	_____	_____	_____
Nepotism Policy <i>N.J.A.C.</i> 6A:23A-22.10	_____	_____	_____
Contributions & Contract Awards Policy <i>N.J.A.C.</i> 6A:23A-2.11	_____	_____	_____
Policy on Exceeding Purchase Order Amounts <i>N.J.A.C.</i> 6A:23A-22.15	_____	_____	_____

7. (A) Are records maintained in conformance with requirements prescribed by the state board of education per *N.J.A.C.* 6A:23A-16.1? Yes \_\_\_\_\_ No \_\_\_\_\_
- (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:23A-16.6? 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	_____	_____

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

Other:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(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?

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 \_\_\_\_\_

(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?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. (A) Is there 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 \_\_\_\_\_



**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

(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. Were the monthly certifications of line-item appropriations and fund status filed in accordance with *N.J.A.C. 6A:23A-16.10(c)* and Division of Finance Policy Bulletin 200-11?

Yes \_\_\_\_\_ No \_\_\_\_\_

(If no, appropriate comments and recommendations must be included in the annual audit report)

13. Has the Board’s Records Custodian adopted and made available to the public a Records 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)* (OPRA)?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. 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).

16. 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 \_\_\_\_\_

(c1) Has the charter school included the reimbursement eligible services identified for reimbursement in item c) above in the third party administrator’s proprietary software system for reimbursement?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_

d) Does the charter school have a process for identifying new students eligible for the SEMI program?

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

- e) Does the charter school have a process for acquiring parental consent for students eligible for the SEMI program. Yes \_\_\_ No \_\_\_
- f) Are parental consent forms available in the student file? Yes \_\_\_ No \_\_\_
- g) Does the charter school have a process for documenting expenditures eligible for reimbursement under the SEMI program (refer to SEMI handbook) ? \_\_\_ Yes \_\_\_ No \_\_\_
- h) Has the charter school been uploading service data in a timely manner? Yes \_\_\_ No \_\_\_
- i) Are annual reviews held for the students in the SEMI program? Yes \_\_\_ No \_\_\_
- j) Are IEPs available for claims made under the SEMI program? Yes \_\_\_ No \_\_\_
17. 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 \_\_\_
18. Is the charter school current in submitting all claims for reimbursable costs under the Federal E-rate Program (the Schools and Libraries Universal Support Mechanism) for encouraging the use of the internet? Yes \_\_\_ No \_\_\_
19. Did the charter school apply for the maximum amount of Federal E-rate program funds in each of the following areas?
- (A) Telecommunications Services Yes \_\_\_ No \_\_\_
  - (B) Internet Access Yes \_\_\_ No \_\_\_
  - (C) Internet Connections Yes \_\_\_ No \_\_\_
20. Did the charter school participate in the following cost savings programs during 2009-2010? (*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?  
\_\_\_\_\_  
\_\_\_\_\_

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

(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?

\_\_\_\_\_

\_\_\_\_\_

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 \_\_\_\_\_

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

June 30, 2010

**SECTION III – REPORTING**  
**CHAPTER 6 – AUDIT CHECKLIST & QUESTIONNAIRE**

THIS QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE OFFICE OF SCHOOL FUNDING WITH EACH REPORT OF AUDIT FOR THE FISCAL YEAR 2009-2010. IT IS NOT TO BE BOUND IN THE REPORT.

---

SIGNATURE OF PUBLIC ACCOUNTANT

**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 Secretary of the Board 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
- d. 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. 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 are submitted to the Executive County Superintendent and will be filed with the State Department of Education by the executive county superintendent after they have been reviewed for accuracy and completeness. A copy of the Corrective Action Plan should also be submitted to the Office of School Funding, Division of Finance, PO Box 500, Trenton, NJ 08625, Attn: Kathy Ambrosio. (see link for Corrective Action Plan on the next page).

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 30<sup>th</sup> 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 , Attn: Kathy Ambrosio and to the Executive County Superintendent of Schools.

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

**CORRECTIVE ACTION PLAN 2009-10**

The Corrective Action Plan form can be accessed through the following link:

[Corrective Action Plan.xls](#)

**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, 2010

Name of Charter School \_\_\_\_\_ County \_\_\_\_\_

I hereby certify that all corrective actions listed on the charter’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, 2011 to:

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

**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 3 - 5** 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. 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 Outline for the CAFR (p Intro -3 - 5) or below, either included in the CAFR or designated “N/A” in the table of contents? 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 ?
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\_\_\_
12. Have the basic financial statements, required supplementary information and other supplementary information been prepared in the format of the CAFR Outline? Yes\_\_\_ No\_\_\_
- If the charter school reported ARRA programs in the Special Revenue Fund Combining Schedule of Program Revenues and Expenditures (Exhibit E-1), is there a separate line for each ARRA program in the Schedule of Expenditures of Federal Awards, and is the proper ARRA prefix used? Yes\_\_\_ No\_\_\_

13. Does the CAFR reflect the proper presentation of fund balance as reserved, designated and unreserved in the funds statements? Has GASB Statement No. 54 been implemented Yearly for fiscal year ended June 30, 2010\*(Implementation of GASB 54 is not required until fiscal year beginning July 1, 2010). If the charter school elected to early implement GASB 54 for June 30, 2010, does the CAFR reflect fund balance as nonspendable, restricted, committed, assigned, and unassigned? Yes \_\_\_ No \_\_\_
- (a) Are designated -reserved fund balances to be used for capital outlay only? Yes \_\_\_ No \_\_\_
- (b) Have the appropriate disclosures related to the components of fund balance been made in the notes to the financial statements? Yes \_\_\_ No \_\_\_
14. Are any of the fund balances reflected in the CAFR in a deficit position? Yes \_\_\_ No \_\_\_  
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:23A-16.10*? Yes \_\_\_ No \_\_\_  
Is a comment and recommendation regarding overexpenditures included in the Auditor's Management Report? If not, a note to the auditor must be included in the QAR letter. 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, including permanent endowment principal – nonexpendable GASB No. 54); and unrestricted (GASB 34, ¶477)? If no, answer (a) below.
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
- (a) Does the independent auditor’s report contain the associated qualification of opinion?
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
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)
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
21. Are contributions and exchange transactions recorded and correctly classified on the financial statements?
- Yes\_\_\_ No\_\_\_
- (a) Does the independent auditor’s report contain the associated qualification of opinion?
- Yes\_\_\_ No\_\_\_
22. Do the notes to the financial statements include: (GASB §2300)
- Yes\_\_\_ No\_\_\_
- (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)
- Yes\_\_\_ No\_\_\_
- ii. The basis of accounting including revenue recognition policies?
- Yes\_\_\_ No\_\_\_
- iii. The method of encumbrance accounting and reporting?
- Yes\_\_\_ No\_\_\_
- (b) Interfund receivables and payables?
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
- (c) Excess of expenditures over appropriations in individual funds?
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
- (d) Deficit fund balances or retained earnings of individual funds?
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
- (e) Material violations of finance-related legal and contractual provisions?(GASB §1200.112)
- Yes\_\_\_ No\_\_\_ N/A\_\_\_
- (f) Do the notes to the financial statements for capital assets and noncurrent liabilities agree to the Statement of Net Assets (GASB ¶2300.111)
- Yes\_\_\_ No\_\_\_ N/A\_\_\_

**III. Reporting**

23. Does the Independent Auditor’s Report contain the following items:
- (a) A title that includes the word independent?
- Yes\_\_\_ No\_\_\_

- (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) A statement that in accordance with *Government Auditing Standards*, the auditor has also issued a report dated (include report date) on the consideration of the charter school's internal control over financial reporting and on tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. A statement that the purpose of that report is to describe the scope of the testing of internal control, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. Yes\_\_\_ No\_\_\_
- (j) 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\_\_\_ N/A\_\_\_
- (k) 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\_\_\_
- (l) 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\_\_\_
- (m) 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:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- (n) 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:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- (o) Identification that the introductory section and statistical tables was not audited? Yes\_\_\_ No\_\_\_

- (p) 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.)
- (q) 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, in planning and performing the audit, the auditor considered the internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, no opinion on the effectiveness of the charter's internal control over financial reporting is expressed? Yes \_\_\_\_\_ No \_\_\_\_\_
- (d) If no material weaknesses, significant deficiencies or reportable instances of noncompliance or other matters identified have been identified, does the report include the definitions of:
- i. a deficiency in internal control (SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
  - ii. a material weakness (SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
- (e) If no material weaknesses have been identified; however, significant deficiencies and reportable instances of noncompliance, and other matters have been identified:  
Does the report include definitions of:
- i. a deficiency in internal control (SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
  - ii. a material weakness (revised by SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
  - iii. a significant deficiency (revised by SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
- (f) If material weaknesses have been identified;  
Does the report include definitions of:
- i. a deficiency in internal control (SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
  - ii. a material weakness (revised by SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
  - iii. a significant deficiency (revised by SAS 115)? Yes \_\_\_\_\_ No \_\_\_\_\_
- (g) A statement that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses? Yes \_\_\_\_\_ No \_\_\_\_\_
- (h) Was a deficiency considered to be a material weakness or a significant deficiency noted? (if "Yes" answer (i.)-(ii.), if "No" skip to 22.(i))
- i. A statement that noted material weakness and/or 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:  
Identifies which one(s)? Yes \_\_\_\_\_ No \_\_\_\_\_  
Yes \_\_\_\_\_

- (i) If no deficiencies were noted: Yes \_\_\_\_\_ No \_\_\_\_\_  
 A statement that no matters that the auditor considered to be a material weakness were noted?
- (j) 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 \_\_\_\_\_
- (k) A statement that the auditor's objective was not to provide an opinion on compliance with those provisions? Yes \_\_\_\_\_ No \_\_\_\_\_
- (l) 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 \_\_\_\_\_
- (m) 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) If applicable, a statement that certain matters were reported to management in a separate letter (the Auditor's Management Report)? Yes \_\_\_\_\_ No \_\_\_\_\_
- (o) 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 \_\_\_\_\_
- (p) 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, which employs the auditor.)
- (q) 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 auditing standards generally accepted in the United States of America, *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? Yes\_\_\_ No\_\_\_  
 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) If the auditor did not identify any material weaknesses, or significant deficiencies in internal control over compliance; does the report include the definitions of:  
 i. deficiency in internal control over compliance (SAS 115)? Yes\_\_\_ No\_\_\_  
 ii. material weakness in internal control over compliance (SAS 115)? Yes\_\_\_ No\_\_\_
- (l) If the auditor identified material weaknesses and/or significant deficiencies in internal control over compliance; does the report include the definitions of:  
 i. Deficiency in internal control over compliance (SAS 115)? Yes\_\_\_ No\_\_\_  
 ii. Material weakness in internal control over compliance (SAS 115)? Yes\_\_\_ No\_\_\_  
 iii. Significant deficiency in internal control over compliance (SAS 115)? 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 deficiencies, significant deficiencies or material weaknesses? Yes\_\_\_ No\_\_\_

- (n) A statement as to whether the auditor identified any deficiencies in internal control over compliance that are considered material weaknesses? (if "Yes" answer (i)), if "No" answer (p) and (q) Yes \_\_\_\_\_ No \_\_\_\_\_
- i. Is reference made to the schedule of findings and questioned costs and reference number(s) of related findings? Yes \_\_\_\_\_ No \_\_\_\_\_
- (o) A statement as to whether the auditor identified any deficiency in internal control over compliance that the auditor considered to be a significant deficiency? (if "Yes", answer (i.0, if "No" skip to (p)).
- i. A statement that deficiencies in internal control over compliance that are considered significant deficiencies are described in the accompanying schedule of findings and questioned costs and the related finding reference number? Yes \_\_\_\_\_ No \_\_\_\_\_
- (p) If no deficiency in internal control over compliance was noted:
- i. A statement that no deficiencies in internal control over compliance that the auditor considered to be a material weakness were noted? Yes \_\_\_\_\_ No \_\_\_\_\_
- (q) 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 \_\_\_\_\_
- (r) 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.)
- (s) The date of the auditor's report? Yes \_\_\_\_\_ No \_\_\_\_\_
32. 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. Internal control over financial reporting: Yes \_\_\_\_\_ No \_\_\_\_\_ N/A \_\_\_\_\_
- i. Material weakness(es) identified? Yes \_\_\_\_\_ No \_\_\_\_\_
- ii. Significant deficiency(ies) identified? Yes \_\_\_\_\_ No \_\_\_\_\_

- |       |  |         |        |         |
|-------|--|---------|--------|---------|
| iii.  | A statement as to whether the noncompliance material to the financial statements was disclosed by the audit of the financial statements? | Yes ___ | No ___ |         |
| iv.   | Internal Control Over Major Programs: Where applicable, a statement as to whether significant deficiencies were identified (reported).   | Yes ___ | No ___ |         |
|       | For federal awards?  | Yes ___ | No ___ | N/A ___ |
|       | For state financial assistance?  | Yes ___ | No ___ | N/A ___ |
| v.    | The type (unqualified, qualified, adverse, or disclaimer) 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 (CFDA)?   | 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 ___ |

- x. Do programs identified by NJDOE review calculation as Type A or B major programs on the Schedules of Expenditures agree with those identified on the Schedules of Findings and Questioned Costs (Section I – Summary of Auditor’s Result) and the Single Audit Summary Sheet section D items #28 and #32:
- |   |         |        |         |
|---|---------|--------|---------|
| For federal awards and the SF-SAC?  | Yes ___ | No ___ | N/A ___ |
| For state financial assistance?   | Yes ___ | No ___ | N/A ___ |
| If No, has the program been audited in either of the two preceding years? | Yes ___ | No ___ | N/A ___ |
| For federal awards ?  | Yes ___ | No ___ | N/A ___ |
| For state financial assistance?   | Yes ___ | No ___ | N/A ___ |

- |   |         |        |         |
|---|---------|--------|---------|
| (b) Financial Statement Findings relating to the financial statements which are required to be reported in accordance with GAGAS? | Yes ___ | No ___ | N/A ___ |
| (c) Findings and questioned costs for Federal awards as per A-133 (Sec.510 (a) and (b))?  | Yes ___ | No ___ | N/A ___ |
| (d) Findings and questioned costs for State financial assistance?   | Yes ___ | No ___ | N/A ___ |

33. Does the Summary Schedule of Prior Audit Findings, for those Charter Schools in their second year of operation, include the following:
- |   |         |        |         |
|---|---------|--------|---------|
| (a) The reference numbers the auditor assigns to audit findings, including the fiscal year in which the finding initially occurred?                                     | Yes ___ | No ___ |         |
| (b) For repeat findings, the cross-reference to the current year audit finding number?  |         |        |         |
| (c) The status of all audit findings included in the prior audit’s schedule of findings and questioned costs relative to Federal awards and State Financial Assistance? | Yes ___ | No ___ |         |
| (d) Audit findings reported in the prior audit’s summary schedule of prior audit findings as follows:   | Yes ___ | No ___ |         |
| i. When fully corrected the summary schedule need only list the findings and state that corrective action was taken.  | Yes ___ | No ___ | N/A ___ |
| ii. When not corrected or only partially corrected, the summary schedule must describe the planned corrective action as well as any partial corrective action taken.    | Yes ___ | No ___ | N/A ___ |



- iii. When corrective action is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule shall provide an explanation. 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\_\_\_\_
34. Has an acceptable Corrective Action Plan been submitted to the department with the Audit Synopsis through the county office of education? Yes\_\_\_\_ No\_\_\_\_
35. 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 \_\_\_\_\_
6. 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 Auditor's Management Report contain all the findings reported in the Single Audit Section of the CAFR? Yes \_\_\_\_\_ No \_\_\_\_\_ N/A \_\_\_\_\_

4. 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 \_\_\_\_\_