

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL**  
**AUDITORS' MANAGEMENT REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2015**

**Sobel & Co., LLC**  
**Certified Public Accountants and Consultants**  
**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL**

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

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**TAX IDENTIFICATION NUMBER: 27-1827559**



Honorable President and  
Members of the Board of Trustees  
Dr. Lena Edwards Academic Charter School  
Jersey City, New Jersey

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of Dr. Lena Edwards Academic Charter School in the county of Hudson for the year ended June 30, 2015, and have issued our report thereon dated December 17, 2015.

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 Dr. Lena Edwards Academic Charter School Board of Trustees, management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

SOBEL & CO., LLC  
Certified Public Accountants

By Bridget Hartnett  
Bridget Hartnett, CPA  
Public School Accountant  
License No. 20CS00243300

Livingston, New Jersey  
December 17, 2015

## **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 Dr. Lena Edwards Academic Charter School ("Charter School") Board of Trustees.

### **Administrative Practices and Procedures**

#### Insurance

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's Comprehensive Annual Financial Report.

#### Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Luis Santiago	Board Secretary/School Business Administrator	\$135,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$500,000.

#### Tuition Charges

A review of financials 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**

A review of claims paid during the period under review indicated the following discrepancies:

#### ***Findings:***

1. Client did not record capitalized assets according to the capitalization threshold used by charter schools in the state of New Jersey.

#### ***Recommendations:***

It is recommended that:

1. The Charter School should establish internal controls to ensure the proper capitalization of assets, according to the capitalization threshold used by charter schools in the state of New Jersey, is followed.

#### ***Management Response:***

1. The Charter School will maintain a capitalization schedule and adhere to the capitalization threshold used by charter schools in the state of New Jersey.

### **Payroll Account**

The net salaries of all employees of the Charter School 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 Chief School Administrator and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings, including benefits, were promptly remitted to the proper agencies.

Payrolls were delivered to the Secretary of the Board who then deposited it in separate bank accounts for net payroll and withholdings.

#### ***Findings:***

1. During our audit of payroll, we noted that there was no documentation maintained to support the pay rate for the Before Care and After Care programs.
2. One employee's compensation per payroll records did not agree to the Board-approved Salary Guide.
3. One Form I-9 was missing from a personnel file.

## Payroll Account (continued)

### ***Recommendation:***

It is recommended that:

1. The Charter School should establish internal controls to ensure that the proper documentation regarding pay rates is maintained in the Charter School's Salary Guide.
2. The Board should establish internal control procedures to ensure an annual, or more frequent, review of the payroll records and Salary Guide to ensure proper disbursement of Board-approved compensation.
3. The Charter School should establish internal controls to ensure that the Form I-9s are retained for each employee.

### ***Management Response:***

1. Before and After Care Program employment agreements, which disclose pay rates, were implemented in September 2015. Employment agreements are retroactive to July 1, 2014.
2. The Charter School has adjusted the employee's compensation in the payroll records and has already implemented internal control procedures to ensure that each employee's compensation in the payroll system agrees to the Board-approved compensation.
3. The Charter School had reached out to the particular employee regarding their I-9 documentation; however, documentation was never received. The employee is no longer working with the Charter School. There is currently a system in place to ensure that all Form I-9s are retained and the Charter School will strengthen procedures to ensure that all documentation is obtained prior to an employees' start date.

## Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015, for proper classification of orders as reserve for encumbrances and accounts payable.

No exceptions were noted during our review.

## Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2(f)* 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-8.3*. The auditors did not observe any error during testing and therefore no additional procedures were deemed necessary to test the propriety of expenditure classification.

### State Unemployment Insurance Account

The State Unemployment Insurance (“SUI”) Account is used to reimburse the state of unemployment claims paid to prior employees by the state. A portion of an employee’s SUI taxes should be deposited into this account for payment of claims.

### Board Secretary’s Records

Our review of the financial and accounting records maintained by the Board Secretary did not disclose any findings.

### Treasurer’s Records

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

#### ***Finding:***

1. The Treasurer’s records were not in agreement with the records of the Board Secretary in accordance with *N.J.S.A.* 148A:17-9 for the months of September and August 2014.

#### ***Recommendation:***

1. The Treasurer should reconcile their cash records with the cash records of the Board Secretary.

#### ***Management Response:***

1. Management will ensure that the cash records of the Board Secretary reports reconcile with the Board Treasurer’s cash records.

### 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 (“NCLB”)

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR documents the financial position pertaining to the projects under Title I of the Elementary and Secondary Education Act as amended and reauthorized.

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

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

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

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 no areas of noncompliance.

### **T.P.A.F. Wages Social Security ("FICA") Reimbursement**

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for Charter School employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

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

The reimbursement to the state for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the Charter School to reimburse the State for the TPAF/FICA payments made by the State on behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60-day grant liquidation period, but prior to the 90 days required by *N.J.S.A. 18A:66-90*. Accordingly, the expenditure was made in accordance with state law (90 days) and properly reported as obligated and not expended as an unliquidated balance in the current year's Final Report(s) for all the federal awards.

### **School Purchasing Programs**

#### **Contracts 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>.

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is \$18,300 for 2014-20.

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.



## Contracts and Agreements Requiring Advertisement for Bids (Continued)

Where the question arises as to whether any contract or agreement might result in violation of the statute, a solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination, the auditors 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*.

## School Food Service

The financial transactions and statistical records of the school food service 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.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and cost 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 nonprofit 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 free and reduced-price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II 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.

### **School Food Service** (Continued)

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

#### ***Finding:***

1. A free and reduced-price meal application status was placed in the incorrect category on the enrollment counts.

#### ***Recommendation:***

1. The free and reduced-price meal applications status should be reviewed by the Charter School personnel, and if necessary, updated in the enrollment system.

#### ***Management Response:***

1. During the year ended June 30, 2014, the Charter School implemented a policy that the Charter School review all free and reduced-price meal applications to ensure that the students are properly classified as free, reduced price, or paid. The Charter School has strengthened this policy and ensured that all meal application statuses were correct for the October 15, 2015 enrollment count.

### **Student Body Activities**

No exceptions were noted during our review of the student activity funds.

### **Charter School Enrollment System/Charter School Aid**

Our audit procedures included a test of enrollment information on October 15, 2014, and the last day of school for on-roll, special education, bilingual and low-income students.

#### ***Finding:***

1. As of the last-day-of-the-year enrollment count, one child was misclassified as a special education student.
2. The Charter School reported one student as enrolled in first grade when the child was enrolled in kindergarten for the school year.
3. The Charter School showed four students with outside placement as regular attendance instead of coding as "Attending Private School." Additionally, related Average Daily Enrollment was reported as 190 instead of zero.

## **Charter School Enrollment System/Charter School Aid** (Continued)

### ***Recommendation:***

It is recommended that:

1. The Charter School establish and implement procedures to ensure the proper reporting of Special Education Categorical Aid for students who are identified and receiving related services.
2. The Charter School must establish and implement procedures to ensure the proper reporting of students who are enrolled that need to repeat the same grade level. These students should be reviewed by Charter School personnel and properly changed in the enrollment system.
3. The Charter School must establish and implement procedures to ensure the proper reporting of students who have outside placement IEP determinations and contracts. These students should be reviewed by Charter School personnel and properly record in the enrollment system.

### ***Management Response:***

1. During the year ended June 30, 2014, the Charter School implemented a procedure to ensure that the proper reporting of Special Education Students was properly shown on the enrollment counts. The Charter School has strengthened this policy and ensured that all Special Education Students were correct for the October 15, 2015 enrollment count.
2. Management has established and implemented procedures to ensure that the students are placed in the proper grades. This was implemented for the October 15, 2015 enrollment count.
3. Management has established and implemented procedures to ensure that the students attending Private School were properly reported on the enrollment counts beginning with the October 15, 2015 enrollment count.

### **Follow-up on Prior-year Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior-year recommendations including findings. Corrective action had been taken on all prior-year findings with the exception of the following, which is repeated in this year's recommendation noted as a current-year finding.

The Charter School should establish internal controls to ensure that the proper documentation regarding pay rates are maintained in the Charter School's Salary Guide.

The Treasurer should reconcile their cash records with the reconciled bank statements and the cash records of the Board Secretary.

### **Acknowledgment**

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of the audit team.

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL  
SCHEDULE OF AUDITED ENROLLMENTS**

**October Enrollment (2014)**

Grades	<u>1</u>	<u>2</u> Sample											<u>3</u>	<u>3a</u>	
	Submission to DOE reported on roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days service provided	Errors	Low Income	Verified documentation	Errors	
Kindergarten	43	23	23	0	1	0	0	0	0	0	N/A	0	17	17	0
One	45	24	24	0	1	0	1	1	0	0	N/A	0	23	23	0
Two	45	23	23	0	1	0	1	1	0	0	N/A	0	20	20	0
Three	44	22	22	0	1	0	3	3	0	0	N/A	0	22	22	0
Four	46	24	24	0	1	0	2	2	0	0	N/A	0	20	20	0
Five	46	24	24	0	1	0	1	1	0	0	N/A	0	23	23	0
Six	41	22	22	0	1	0	2	2	0	0	N/A	0	19	19	0
Seven	36	18	18	0	1	0	1	1	0	0	N/A	0	15	15	0
Eight	32	17	17	0	1	0	2	2	0	0	N/A	0	14	14	0
<b>Total</b>	<b>378</b>	<b>197</b>	<b>197</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>13</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>173</b>	<b>173</b>	<b>0</b>
Percentage				0.0%		0.0%			0.0%		0.0%				0.0%

**June Enrollment (2015)**

Grades	<u>1</u>	<u>2</u> Sample											<u>3</u>	<u>3a</u>	
	Submission to DOE reported on roll	Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days service provided	Errors	Low Income	Verified documentation	Errors	
Kindergarten	45	22	23	-1	1	0	0	0	0	0	N/A	0	22	22	0
One	47	23	22	1	1	0	0	0	0	0	N/A	0	21	21	0
Two	46	23	23	0	1	0	0	0	0	0	N/A	0	21	21	0
Three	43	22	22	0	1	0	1	1	0	0	N/A	0	21	21	0
Four	48	24	24	0	1	0	1	1	0	0	N/A	0	23	23	0
Five	45	23	23	0	1	0	2	2	0	0	N/A	0	22	22	0
Six	43	22	22	0	1	0	2	1	1	0	N/A	0	18	18	0
Seven	36	18	18	0	1	0	2	2	0	0	N/A	0	14	13	1
Eight	32	16	16	0	1	0	1	1	0	0	N/A	0	15	15	0
<b>Total</b>	<b>385</b>	<b>193</b>	<b>193</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>9</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>177</b>	<b>176</b>	<b>1</b>
Percentage				0.0%		0.0%			11.1%		0.0%				0.6%

1. Submission to the DOE
2. Of the sample selected, the students identified as Special Ed and/or Bilingual.
  - 2a. Verify classification to the students IEP.
  - 2b. Verify the number of days that services were provided.
3. Of the sample selected, identify the students classified as low income.
  - 3a. Verify free lunch application and/or documentation from the charter/district.