



SOBEL & CO. LLC
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

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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, 2017, and have issued our report thereon dated December 4, 2017.

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

SOBEL & CO. LLC
Certified Public Accountants

By *Bridget Hartnett*

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

December 4, 2017

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 did not indicate any discrepancies with respect to signatures, certification or supporting claims.

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 of Trustees 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 them in separate bank accounts for net payroll and withholdings.

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (continued)

Findings:

1. Compensation per payroll records did not agree to the salary per the Board-approved contract for three individuals.

Recommendation:

It is recommended that:

1. The Business Office should establish internal control procedures to ensure an annual, or more frequent, review of the payroll records and employee contacts to ensure proper disbursement of Board-approved compensation.

Management Response:

The affected employees have been made whole subsequent to June 30, 2017. Management will implement procedures internally and with the payroll company to ensure that all employees are paid according to their Board-approved contracts.

Reserve for Encumbrances and Accounts Payable

A review of outstanding, issued, purchase orders was made as of June 30, 2017, 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; 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 Treasurer's records:

Finding:

1. The Treasurer's records were not in agreement with the records of the Board Secretary reports in accordance with *N.J.S.A 148A:17-9* for the months of April and May 2017.

Recommendation:

1. The Treasurer should ensure that the cash balances per the Treasurer reports agree to the Board Secretary reports each month.

Management Response:

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

TPAF 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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the state for the amount of the expenditure charged to the current year's final report(s) for all federal awards for 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, are available on the website <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 (with a qualified purchasing agent) and \$29,000 (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 \$18,800 for 2016-17.

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 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*.

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

Charter School Food Service

The financial transactions and statistical records of the Charter 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 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 disbursement records reflected expenditures for program-related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the nonprofit status of the Charter 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 Charter School food service 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.

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

Finding:

1. The Charter School reported students incorrectly for "free" or "reduced" lunch.
 - a. October 15th Enrollment: One student was approved for "reduced" lunch; however, a student was classified as free.
 - b. Last day of the Year Enrollment:
 - i. Two students were approved for "free" lunch; however, a student was classified as reduced.
 - ii. One student was approved for "reduced" lunch; however, a student was classified as free.
 - iii. One student was approved for "reduced" lunch; however, a student was classified as paid.

Charter School Food Service (Continued)

Recommendation:

It is recommended that the Charter School should add a quality control step to their existing policies and procedures to ensure the proper reporting of students for free, reduced, or paid lunch.

Management Response:

The Charter School will ensure that a quality control step is added and adhered to.

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, 2016, and the last day of school for on-roll, special education, bilingual and low-income students.

Finding:

1. The Charter School reported students incorrectly for special education enrolled:
 - a. October 15th Enrollment: One student was missing appropriate paperwork for IEP services.
 - b. Last Day of the Year Enrollment: One student was missing appropriate paperwork for IEP services.
2. On the October 15th Enrollment: we noted that there were 2 students enrolled in the charter school however each student has 10 unexcused absences. According to the Department of Education'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 project must immediately notify the district of residence district in writing of this condition on the 10th day. In these instances, the Charter School communicated with the students' families regarding the unexcused absences, but the absences were never reported to the district.

Recommendation:

It is recommended that:

1. The Charter School should establish and implement procedures to ensure the proper reporting of students not attending the school.
2. The Charter School must make a concerted effort to notify the resident district .of school dropouts in a timely manner in accordance with school registrar instructions.

Management Response:

The Charter School will ensure that a quality control step for attendance is added and adhered to so that school districts are notified of dropouts and also for non-attendance of students.

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 is still being taken on all prior-year findings and those findings are repeated in this year's recommendation noted as a current-year finding.

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 (2016)

Grades	<u>1</u>	<u>2</u> <u>2a.</u> <u>2b.</u> <u>3</u> <u>3a.</u>													
	Submission to DOE reported on roll	Sample													
	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	44	23	23	0	1	0	0	0	0	0	N/A	0	23	23	0
One	43	23	22	1	1	0	3	3	0	0	N/A	0	23	23	0
Two	44	22	22	0	1	0	2	2	0	0	N/A	0	18	18	0
Three	43	24	24	0	1	0	1	1	0	0	N/A	0	23	23	0
Four	44	23	22	1	1	0	3	3	0	0	N/A	0	20	20	0
Five	43	24	24	0	1	0	5	5	0	0	N/A	0	22	22	0
Six	39	21	21	0	1	0	7	6	1	0	N/A	0	20	20	0
Seven	43	22	21	1	1	0	4	4	0	0	N/A	0	19	19	0
Eight	44	22	22	0	1	0	4	4	0	0	N/A	0	20	20	0
Total	387	204	201	3	9	0	29	28	1	0	0	188	188	0	
Percentage				1.5%		0.0%			3.4%		0.0%				0.0%

June Enrollment (2017)

Grades	<u>1</u>	<u>2</u> <u>2a.</u> <u>2b.</u> <u>3</u> <u>3a.</u>													
	Submission to DOE reported on roll	Sample													
	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	47	24	24	0	1	0	0	0	0	0	N/A	0	21	21	0
One	46	23	23	0	1	0	5	5	0	0	N/A	0	22	22	0
Two	44	22	22	0	1	0	3	2	1	0	N/A	0	21	21	0
Three	49	25	25	0	1	0	6	6	0	0	N/A	0	21	21	0
Four	45	22	22	0	1	0	1	1	0	0	N/A	0	19	19	0
Five	47	23	23	0	1	0	4	4	0	0	N/A	0	20	20	0
Six	42	21	21	0	1	0	0	0	0	0	N/A	0	19	19	0
Seven	43	21	21	0	1	0	4	4	0	0	N/A	0	17	17	0
Eight	46	23	23	0	1	0	1	1	0	0	N/A	0	18	18	0
Total	409	204	204	0	9	0	24	23	1	0	0	178	178	0	
Percentage				0.0%		0.0%			4.2%		0.0%				0.0%

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.