

**ROBERT TREAT ACADEMY
CHARTER SCHOOL, INC.**

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS**

FINANCIAL, COMPLIANCE AND PERFORMANCE

For the Fiscal Year Ended June 30, 2017

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INDEPENDENT AUDITOR'S REPORT

The Honorable President and Members of
the Board of Trustees
Robert Treat Academy Charter School, Inc.
County of Essex
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Robert Treat Academy Charter School, Inc., (the "School") in the County of Essex, State of New Jersey, for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 1, 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 solely for the information and use of the management of the Robert Treat Academy Charter School, Inc. and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Smolin, Lupin & Co., P.A.

Smolin, Lupin & Co., P.A.
Certified Public Accountants

By: *Susan T. White*
Susan T. White
Public School Accountant
License #20CS00119300

Fairfield, New Jersey
December 1, 2017

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the Robert Treat Academy Charter School, Inc., and the records of the various funds under the auspices of the Board of Trustees of the Robert Treat Academy Charter School, Inc..

Administrative Practices and Procedures

Insurance

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

The School has coverage in the amount of \$250,000, for employee dishonesty with faithful performance with New Jersey Schools Insurance Group.

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.

Payroll Account

Monies were transferred to the payroll account to pay net salaries and all related payroll taxes (employee and employer). The School uses an outside payroll service for all payroll tax payments.

All payrolls were approved by the President of the Board and the School Business Administrator/Board Secretary.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund. No exceptions were noted in our examination of the account.

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated it was in satisfactory condition.

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.

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. As a result of the procedures performed, no errors were noted.

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records

The Robert Treat Academy Charter School, Inc. contracted with The North Ward Center, Inc., a related party not-for-profit organization, to provide fiscal services. The North Ward Center, Inc. received an unmodified opinion on its December 31, 2016 audit report.

The financial and accounting records maintained by the Board Secretary and business office were in satisfactory condition. No exceptions were noted.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A./NCLB indicated there were no areas of noncompliance and/or questioned costs.

Other Special Federal and/or State Projects

The School's Special Projects were approved as listed on Exhibit K-3 (Schedule A) and Exhibit K-4 (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 special projects indicated there were no areas of noncompliance and/or questioned costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the bi-weekly reimbursements filed with the Department of Education for 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 School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the 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 and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter 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 Board appointed the School Business Administrator as Purchasing Agent. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

The Board of Trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises 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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our procedures indicated that there were individual payments, contracts or agreements made for the performance of any work or goods or service, 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, as amended.

Finding 2017-01

The accumulation of payments for the 2016-17 school year for categories for the performance of work or receipt of goods or services by the following vendor exceeded the bid threshold (N.J.S.A. 18A:18A-3).

<u>Vendor</u>	<u>Services Performed</u>	<u>Amount</u>
Ramas Climate and Refrigeration	HVAC	\$87,844

Recommendation

That the School seek bids for the performance of any work or the furnishing of materials or supplies, the cost of which, together with any other sums expended or foreseeably to be expended, exceed the bid threshold.

In accordance with N.J.S.A. 18A:18A-37, for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The purchasing agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor. No exceptions were noted.

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

The system of records did not provide for an accumulation of purchases for which the School used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1988; therefore, the extent of such purchases could not reasonably be ascertained. Our procedures did reveal, however, that purchases were made through the use of State contracts.

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. No exceptions were noted.

Cash receipts and back records were reviewed for timely deposit.

The School utilizes a food service management company (FSMC) 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. The FSMC contract includes an operating results provision, which guarantees that the food service program will return a profit of at least \$30,000. The operating results provision has been met.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified on a test basis. 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 food service.

Net cash resources did not exceed three months average expenditures.

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. No exceptions were noted.

The School did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Applications for free and reduced price meals were reviewed for completeness and accuracy on a test basis. The number of free and reduced price meals claimed as served was compared to the number of valid applications or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the School. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in first-out basis. No exceptions were noted.

Exhibits reflecting Food Service Program operations are included in the CAFR entitled Enterprise Fund - Food Service Fund, Exhibit B.

Before and After Care Program

Our review of the Before and After Care Program was performed and no exceptions were noted.

Charter School Enrollment System/Charter School Aid

Our audit procedures included a test of enrollment information reported on October 15, 2016, and the last day of school for on-roll, special education, bilingual and low income. We also performed a review of the school's procedures related to its completion for the two required enrollment counts. The information was compared to the School's workpapers with no exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments. The school has adequate written procedures for the recording of student enrollment data.

Facilities and Capital Assets

A review of the capital assets was performed and no exceptions were noted.

Follow-up on Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. There were no prior year recommendations.

Acknowledgment

We wish to express our appreciation for the cooperation and assistance extended to us by Theresa Aduato, Principal and Sung Yi, School Business Administrator/Board Secretary, and the Business Office staff, during the course of our audit.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Number of Meals Served and (Over) Under Claim - Federal
Proprietary Funds - Food Services
For the Fiscal Year Ended June 30, 2017

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER) UNDER CLAIM</u>
National School Lunch (High Rate)	Paid	17,397	17,397	17,397	-	\$ 0.32	\$ -
National School Lunch (High Rate)	Reduced	15,280	15,280	15,280	-	2.780	-
National School Lunch (High Rate)	Free	<u>68,056</u>	<u>68,056</u>	<u>68,056</u>	-	3.180	<u>-</u>
	TOTAL	<u>100,733</u>	<u>100,733</u>	<u>100,733</u>			<u>-</u>
National School Lunch	HHFKA - PB Lunch Only	<u>100,733</u>	<u>100,733</u>	<u>100,733</u>	-	0.06	<u>-</u>
School Breakfast (Severe Needs Rate)	Paid	2,248	2,248	2,248	-	0.29	-
School Breakfast (Severe Needs Rate)	Reduced	3,621	3,621	3,621	-	1.74	-
School Breakfast (Severe Needs Rate)	Free	<u>15,721</u>	<u>15,721</u>	<u>15,721</u>	-	2.04	<u>-</u>
	TOTAL	<u>21,590</u>	<u>21,590</u>	<u>21,590</u>			<u>-</u>
Special Milk	Paid				-	0.1975	-
After School Snacks	Paid				-	0.86	-
After School Snacks	Reduced				-	0.86	-
After School Snacks	Free (Area Eligible)	<u>100,024</u>	<u>100,024</u>	<u>100,024</u>	-	0.86	<u>-</u>
	TOTAL	<u>100,024</u>	<u>100,024</u>	<u>100,024</u>			<u>-</u>
CACFP - Food	Free				-	3.16	-
CACFP - Cash-in-lieu of USDA Foods	Free				-	0.23	-
Total Net Over Claim							<u>\$ -</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
Number of Meals Served and (Over) Under Claim - State
Proprietary Funds - Food Services
For the Fiscal Year Ended June 30, 2017

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER) UNDER CLAIM</u>
State Reimbursement -National School Lunch (Regular Rate)	Paid	17,397	17,397	17,397	-	\$ 0.04	\$ -
State Reimbursement -National School Lunch (Regular Rate)	Reduced	15,280	15,280	15,280	-	0.055	-
State Reimbursement -National School Lunch (Regular Rate)	Free	<u>68,056</u>	<u>68,056</u>	<u>68,056</u>	-	0.055	<u>-</u>
	TOTAL	<u>100,733</u>	<u>100,733</u>	<u>100,733</u>			
Total Net Over Claim							<u>\$ -</u>

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
 Net Cash Resource Schedule
 Proprietary Funds - Food Services
 For the Fiscal Year Ended June 30, 2017

Net cash resources did not exceed three months of expenditures

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR *		Current Assets
B-4	\$	Cash 163,056
B-4		Due from Other Governments 70,616
B-4		Accounts Receivable
B-4		Investments
CAFR		Current Liabilities
B-4		Less Accounts Payable (187,620)
B-4		Less Accruals
B-4		Less Due to Other Funds
B-4		Less Deferred Revenue
		Net Cash Resources
	\$	46,052 (A)

Net Adjusted Total Operating Expenses:

B-5		Total Operating Expenses	446,254	
B-5		Less Depreciation	(880)	
		Adjusted Total Operating Expenses	\$ 445,374	(B)

Average Monthly Operating Expense:

B / 11	\$	40,489	(C)
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Three times monthly Average:

3 X C	\$	121,466	(D)
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TOTAL IN BOX A	\$	46,052
LESS TOTAL IN BOX D	\$	121,466
NET	\$	(75,414)
From above:		
A is greater than D, cash exceeds 3 X average monthly operating expenses.		
D is greater than A, cash does not exceed 3 X average monthly operating expenses.		

* Inventories are not to be included in total current assets.

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF OCTOBER 14, 2016

SCHEDULE OF AUDITED ENROLLMENTS:

Grades	Submission To DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms		Verified # Days Enrolled		Special Ed and/or Bilingual		Verified Documentation		Verified # Days Service Provided		Low Income		Verified Documentation		Errors	
			Errors	Forms	Errors	# Days Enrolled	Errors	and/or Bilingual	Errors	Documentation	Errors	Documentation	Errors	Income	Errors	Documentation	Errors	Income
Kindergarten	79	46	0	46	0	2	2	0	2	0	2	0	9	0	9	0	0	0
One	78	37	0	37	0	1	1	0	1	0	1	0	13	0	13	0	0	0
Two	79	42	0	42	0	0	0	0	0	0	0	0	14	0	14	0	0	0
Three	76	36	0	36	0	3	3	0	3	0	3	0	13	0	13	0	0	0
Four	78	43	0	43	0	2	2	0	2	0	2	0	9	0	9	0	0	0
Five	75	35	0	35	0	3	3	0	3	0	3	0	13	0	13	0	0	0
Six	76	37	0	37	0	2	2	0	2	0	2	0	17	0	17	0	0	0
Seven	70	31	0	31	0	2	2	0	2	0	2	0	10	0	10	0	0	0
Eight	70	28	0	28	0	1	1	0	1	0	1	0	11	0	11	0	0	0
TOTAL	681	335	0	335	0	16	16	0	16	0	16	0	109	0	109	0	0	0

Percentage 0.00%

0.00%

0.00%

0.00%

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.

APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2017

SCHEDULE OF AUDITED ENROLLMENTS:

Grades	Submission To DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms		Special Ed and/or Bilingual	Verified Documentation		Verified # Days Service Provided	Low Income		Verified Documentation	Errors	
			Errors	Verified # Days Enrolled		Errors	Verified Documentation		Errors	Low Income		Errors	Errors
Kindergarten	79	33	0	33	1	1	1	1	9	0	9	0	0
One	78	41	0	41	4	4	4	4	19	0	19	0	0
Two	79	37	0	37	3	3	3	3	9	0	9	0	0
Three	76	41	0	41	4	4	4	4	12	0	12	0	0
Four	78	35	0	35	1	1	1	1	12	0	12	0	0
Five	75	40	0	40	1	1	1	1	12	0	12	0	0
Six	76	39	0	39	3	3	3	3	12	0	12	0	0
Seven	70	38	0	38	3	3	3	3	21	0	21	0	0
Eight	70	42	0	42	0	0	0	0	17	0	17	0	0
TOTAL	681	346	0	346	20	20	20	20	123	0	123	0	0

Percentage

0.00%

0.00%

0.00%

0.00%

0.00%

AUDIT RECOMMENDATIONS SUMMARY

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Programs

That the School seek bids for the performance of any work or the furnishing of materials or supplies, the cost of which, together with any other sums expended or foreseeably to be expended, exceed the bid threshold.

School Food Service

None

Before and After Care Program

None

Charter School Enrollment System/Charter School Aid

None

Facilities and Capital Assets

None

Follow-up on Prior Year Findings/Recommendations

There were no prior year findings and recommendations.