

**DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL**

**AUDITORS' MANAGEMENT REPORT**

**FISCAL YEAR ENDED JUNE 30, 2018**

**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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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, 2018, and have issued our report thereon dated February 26, 2019.

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, CPA  
Public School Accountant  
License No. 20CS00243300

February 26, 2019

## **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/School 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. One employee was paid \$11,000 in excess of their contract during the fiscal year 2018. The same employee was also paid an additional \$5,667 in excess of their contract in fiscal year 2019.

#### ***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:***

Upon realization of the error prior to the audit, the School Business Administrator met with the employee and set up a payment plan for the employee to pay back the Charter School through payroll deductions.

### **Reserve for Encumbrances and Accounts Payable**

A review of outstanding, issued, purchase orders was made as of June 30, 2018, 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**

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

### **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 ("TPAF"). 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 2017-18.

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.

### **Charter School Food Service (continued)**

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 15<sup>th</sup> Enrollment:
    - i. Two students were approved for “free” lunch; however, were classified as paid.
    - ii. One student was approved for “reduced” lunch; however, was classified as free.
    - iii. One student was approved for “paid” lunch; however, was classified as reduced.
  - b. Last Day of the Year Enrollment:
    - i. Twelve students were approved for “free” lunch; however, they were classified as paid.
    - ii. One student was approved for “reduced” lunch; however, was classified as free.
    - iii. Two students were approved for “paid” lunch; however, they were classified as free.
    - iv. One student was approved for “reduced” lunch; however, was classified as paid.
2. On the October 15<sup>th</sup> enrollment, seven students were reported as transferring out; however, copies of the lunch forms were not retained. Therefore, the lunch classification could not be determined.
3. On the last day of the year enrollment, two students were reported as transferring out; however, copies of the lunch forms were not retained. Therefore, the lunch classification could not be determined.

#### ***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.



## **Charter School Food Service (continued)**

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

The Charter School acknowledges that this finding is a systematic issue that continues each year as a result of parents not submitting forms timely. As enrollment counts approach, if a student's form is not timely collected, the student is to automatically default to "paid". The Charter School makes numerous attempts throughout the year to collect lunch forms from the parents.

### **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 and noted no exceptions.

### **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 findings as it relates to the Charter School's Food Services section, which is noted as a current year finding. The Charter School continues its efforts to address the findings through enforcements of policies and procedures.

### **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 (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	45	23	23	0	1	0	1	1	0	N/A	0	23	23	0	
One	47	23	23	0	1	0	2	2	0	N/A	0	23	22	1	
Two	45	22	22	0	1	0	5	5	0	N/A	0	22	22	0	
Three	47	24	24	0	1	0	4	4	0	N/A	0	24	22	2	
Four	48	25	25	0	1	0	4	4	0	N/A	0	25	24	1	
Five	45	23	23	0	1	0	1	1	0	N/A	0	23	22	1	
Six	46	23	23	0	1	0	3	3	0	N/A	0	23	21	2	
Seven	39	19	19	0	1	0	1	1	0	N/A	0	19	17	2	
Eight	42	21	21	0	1	0	2	2	0	N/A	0	21	19	2	
<b>Total</b>	<b>404</b>	<b>203</b>	<b>203</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>23</b>	<b>23</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>203</b>	<b>192</b>	<b>11</b>	
Percentage				0.0%		0.0%			0.0%		0.0%				5.4%

**June Enrollment (2018)**

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	45	22	22	0	1	0	2	2	0	N/A	0	22	21	1	
One	47	24	24	0	1	0	5	5	0	N/A	0	24	23	1	
Two	45	23	23	0	1	0	6	6	0	N/A	0	23	23	0	
Three	47	24	24	0	1	0	3	3	0	N/A	0	24	21	3	
Four	48	24	24	0	1	0	4	4	0	N/A	0	24	22	2	
Five	45	22	22	0	1	0	1	1	0	N/A	0	22	19	3	
Six	46	23	23	0	1	0	3	3	0	N/A	0	23	19	4	
Seven	39	20	20	0	1	0	2	2	0	N/A	0	20	17	3	
Eight	42	21	21	0	1	0	5	5	0	N/A	0	21	20	1	
<b>Total</b>	<b>404</b>	<b>203</b>	<b>203</b>	<b>0</b>	<b>9</b>	<b>0</b>	<b>31</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>203</b>	<b>185</b>	<b>18</b>	
Percentage				0.0%		0.0%			0.0%		0.0%				8.9%

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.

DR. LENA EDWARDS ACADEMIC CHARTER SCOOOL

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2018

School District/Charter/Renaissance School Project

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

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

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

- a. 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.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior-year Audit Findings/Recommendations

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 recommendations noted as current-year findings. The Charter School is making a continuous effort to address the findings through updates to their policies and procedures throughout the year.