

INTERNATIONAL ACADEMY OF TRENTON  
CHARTER SCHOOL  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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November 5, 2019

The Honorable Justice James R. Zazzali  
International Academy of Trenton Charter School  
County of Mercer, NJ

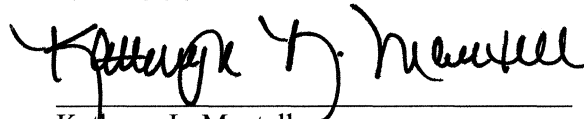
We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Trustees of the International Academy of Trenton Charter School for the fiscal year ended June 30, 2018, and have issued our report thereon dated November 5, 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 letter does not affect our report dated November 5, 2019, on the financial statements of the Board.

We will review the status of the comments, if any, during our next audit engagement. We have already discussed any comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the International Academy of Trenton Charter School's Board of Trustees, the management, and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP



Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer, the activities of the Board of Trustees, the records of the various funds under the auspices of the 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 School's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Michael Falkowski	Board Secretary/School Business Administrator	\$ 180,000

There is Blanket Employee Dishonesty coverage with the Selective Insurance Company in the amount of \$100,000.

Tuition Charges

A review of the financial statements indicated that no tuition was charged for any student attending the Charter School.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid, on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification and supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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. Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the General Fund.

All payrolls were approved by the School Director and certified by the President of the Board and School Business Administrator and School Director.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, 2018 for proper classification of orders as reserve for encumbrances and accounts payable.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Classification of General and Administrative 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, we reviewed 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 and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as stated herein.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the Charter School's CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II and IV of the Elementary and Secondary Education Act as amended and reauthorized.

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.

T.P.A.F. 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 T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2018. The reimbursement form was reviewed and no exceptions were noted.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts and charter schools of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made . . ."

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law . . ."

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 law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is \$19,000 for 2017-18.

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 Attorney'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 the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

The results of our examination indicated that no individual payments, contracts, or agreements were 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.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

The system of records did not provide for an accumulation of purchases for which the Charter School used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

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. Exceptions were noted with respect to the meal count records as detailed in the finding below and on the following page.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

The Charter School utilizes a food service management company (FMSC) 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 FMSC contract/addendum were reviewed and audited. The FMSC contract does not include an operating results provision which guarantees that the food service program will breakeven/return a profit. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service account and reconciled to supporting documentation at least annually.

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 supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

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 Fund. No exceptions were noted.

Net cash resources did not exceed three months average expenditures.

As the meal count records were not available for audit review the number of meals claimed for reimbursement were not able to be compared to sales and meal count records as detailed in the finding below and on the following page. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced-price meals were not required to be reviewed for completeness and accuracy as the Charter School is classified as a Community Eligibility Provision District. The approval for Community Eligibility Provision was reviewed. No exceptions were noted.

U.S.D.A. Food Distribution Program commodities were not received.

Finding

Our review of the meals reported as served on a test basis revealed that the supporting meal count records could not be located for audit review.

Recommendation

No recommendation is warranted as the Charter School ceased operations as of June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

School Food Service (Cont'd)

Management's Response

The Charter School attempted to obtain the meal count records from the former administrative company and the Trenton School District but was unsuccessful.

Non-program foods were not purchased, prepared or offered for sale.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled "Proprietary Funds", Section G of the CAFR.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 13, 2017 and the last day of school for on-roll, special education, bilingual and low-income students and a review of the Charter School's procedures related to its completion. The information on the enrollment reports was not able to be compared to the Charter School's workpapers as the workpapers were not available. The information included on the workpapers was not verified on a test basis as the enrollment registers and bilingual records were not available. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding

School registers and other source documents supporting the enrollments counts reported to the New Jersey Department of Education on October 13 and the last day of school for on-roll and bilingual students were not maintained on file.

Recommendation

No recommendation is warranted as the Charter School ceased operations as of June 30, 2018.

Management's Response

The Charter School is aware that the information was not available.

Travel Expense and Reimbursement Policy

Travel regulations require each Charter School to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the Charter School to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Trustees and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.



INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(Continued)

Travel Expense and Reimbursement Policy (Cont'd)

Our review of the travel policies and records revealed that the Charter School is not in compliance with the travel regulations as noted below:

Finding

Travel expenditures brief reports required by N.J.S.A 18A:11-12(d) to substantiate the purpose and relevance of non-regular travel were not available for testing.

Recommendation

No recommendation is warranted as the Charter School ceased operations as of June 30, 2018.

Management's Response

The Charter School is aware that the reports were not available.

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Status of Prior Year's Findings/Recommendations

There were no prior year recommendations.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF MEAL COUNT ACTIVITY  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(MEMORANDUM ONLY)

<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)/ Underclaim</u>
National School Lunch (High Rate)	Free	98,825	32,565	-0-	(32,565)	\$ 3.25	\$(105,836)
Federal PB Lunch - Healthy Hunger-Free Kids Act	Free	<u>98,825</u>	<u>32,565</u>	<u>-0-</u>	<u>(32,565)</u>	\$ 0.06	<u>(1,954)</u>
Total National School Lunch Program		<u>197,650</u>	<u>65,130</u>	<u>-0-</u>	<u>(65,130)</u>		<u>(107,790)</u>
School Breakfast Program	Free	<u>55,914</u>	<u>16,435</u>	<u>-0-</u>	<u>(16,435)</u>	1.75	<u>(28,761)</u>
Total Overclaimed		<u><u>253,564</u></u>	<u><u>81,565</u></u>	<u><u>-0-</u></u>	<u><u>(81,565)</u></u>		<u><u>\$(136,551)</u></u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SCHEDULE OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
(MEMORANDUM ONLY)

	<u>Food Service Fund</u>	
<u>Net Cash Resources:</u>		
Current Assets*:		
B-4 Intergovernmental Accounts Receivable	\$ 84,624	
Current Liabilities:		
B-4 Less: Accounts Payable - Vendors	(42,808)	
B-4 Less: Interfund Payables	<u>(41,816)</u>	
Net Cash Resources	<u>\$ - 0 -</u>	(A)
<u>Net Adjustment to Total Operating Expenses:</u>		
B-5 Total Operating Expenses	<u>\$ 486,937</u>	
Adjusted Total Operating Expenses	<u>\$ 486,937</u>	(B)
<u>Average Monthly Operating Expenses:</u>		
(B) Divided by 10	<u>\$ 48,694</u>	(C)
<u>Three times Monthly Average Operating Expenses:</u>		
3 times (C)	<u>\$ 146,081</u>	(D)
Amount by Which Net Cash Resources Exceeds 3 Times		
Average Monthly Operating Expenses	<u>\$ - 0 -</u>	**

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

\*\* Net cash resources do not exceed three times monthly average operating expenses.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
 SCHEDULE OF ENROLLMENTS  
 APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF OCTOBER 13, 2017

Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Signed Registration Forms	Errors	Verified # Days Enrolled	Bilingual	Selected Bilingual	Verified Documentation	Errors	Low Income	Selected Low Income	Verified Documentation	Errors
Kindergarten	114.8	114.8	5.0		5.0	5.0	15.0	5.0		5.0	72.0	72.0		72.0
Grade 1	114.0	114.0	5.0		5.0	5.0	13.0	5.0		5.0	86.0	86.0		86.0
Grade 2	117.0	117.0	5.0		5.0	5.0	22.0	5.0		5.0	84.0	84.0		84.0
Grade 3	119.0	119.0	5.0		5.0	5.0	22.0	5.0		5.0	74.0	74.0		74.0
Grade 4	90.0	90.0	5.0		5.0	5.0	14.0	5.0		5.0	62.0	62.0		62.0
Grade 5	73.0	73.0	5.0		5.0	5.0	15.0	5.0		5.0	52.0	52.0		52.0
Grade 6	64.0	64.0	5.0		5.0	5.0	8.0	5.0		5.0	36.0	36.0		36.0
<b>Totals</b>	<b>691.8</b>	<b>-0-</b>	<b>35.0</b>	<b>-0-</b>	<b>35.0</b>	<b>-0-</b>	<b>109.0</b>	<b>35.0</b>	<b>-0-</b>	<b>35.0</b>	<b>466.0</b>	<b>466.0</b>	<b>-0-</b>	<b>466.0</b>
Percentage Error					<u>100.00%</u>					<u>100.00%</u>				<u>100.00%</u>

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2018

Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Signed Registration Forms	Errors	Verified # Days Enrolled	Bilingual	Selected Bilingual	Verified Documentation	Errors	Low Income	Selected Low Income	Verified Documentation	Errors
Kindergarten	113.8	113.8	5.0		5.0	5.0	15.0	5.0		5.0	72.0	72.0		72.0
Grade 1	113.0	113.0	5.0		5.0	5.0	13.0	5.0		5.0	85.0	86.0		86.0
Grade 2	117.0	117.0	5.0		5.0	5.0	22.0	5.0		5.0	84.0	84.0		84.0
Grade 3	118.4	118.4	5.0		5.0	5.0	22.0	5.0		5.0	73.4	74.0		74.0
Grade 4	89.7	89.7	5.0		5.0	5.0	13.7	5.0		5.0	61.7	62.0		62.0
Grade 5	72.0	72.0	5.0		5.0	5.0	15.0	5.0		5.0	51.0	52.0		52.0
Grade 6	64.0	64.0	5.0		5.0	5.0	8.0	5.0		5.0	36.0	36.0		36.0
<b>Totals</b>	<b>687.9</b>	<b>-0-</b>	<b>35.0</b>	<b>-0-</b>	<b>35.0</b>	<b>-0-</b>	<b>108.7</b>	<b>35.0</b>	<b>-0-</b>	<b>35.0</b>	<b>463.1</b>	<b>466.0</b>	<b>-0-</b>	<b>466.0</b>
Percentage Error					<u>100.00%</u>					<u>100.00%</u>				<u>100.00%</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL  
SUMMARY OF RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures  
None
2. Financial Planning, Accounting and Reporting  
None
3. School Purchasing Program  
None
4. School Food Service  
None
5. Transportation  
None
6. Student Body Activities  
None
7. Enrollment Counts and Submission to the Department  
None
8. Facilities and Capital Assets  
None
9. Miscellaneous  
None
10. Status of Prior Year's Findings/Recommendations  
There were no prior year recommendations.