

GRAY CHARTER SCHOOL
Auditors' Management Report
On
Administrative Findings
Financial, Compliance
And Performance
June 30, 2018

GRAY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2018

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Tax Identification Number: 22-3626543

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Gray Charter School
County of Essex, 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 Gray Charter School in the County of Essex, for the year ended June 30, 2018, and have issued our report thereon dated February 7, 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 the Gray Charter School Board of Trustee's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Olugbenga Olabintan, CPA

February 7, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

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Scope of Audit

The audit covered the financial transactions of the Business Office, the activities of the Board of Trustees, and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-4, Insurance Schedule contained in the charter school's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Karen Milteer	Board Secretary/School Business Administrator	\$148,000

School Leaders Errors and Omissions Liability insurance was carried for all members of the Board of Trustees with coverage for each wrongful act of \$1,000,000.

There is Employee's Faithful Performance Blanket Position Bond Policy covering each employee in the amount of \$25,000.

Tuition Charges

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

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.

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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 designee in the Charter School and were certified by the President of the Board of Trustees and the School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings due to the general fund.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchased orders was made as of June 30 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 NJAC 6A:23-2.2(g) and line item details as described in the Budget Summary Key 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. As a result of the procedures performed, no transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

We reviewed the financial and accounting records maintained by the Business Office and no material findings noted.

Treasurer's Records

The Charter School does not maintain the position of Treasurer of School Moneys; rather the business office and the executive staff handles all cash transactions and bank account reconciliations.

Our review of the treasurer's records disclosed that the Charter School is in compliance with the State requirements. All cash accounts were reconciled monthly and reporting requirements were met on time.

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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 Comprehensive Annual Financial Report (CAFR). This section of the CAFR documents the financial position pertaining to the projects under Titles I through VI 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 (K-3) and Schedule B (K-4) 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 noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

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 prior to the end of the 90-day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

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School Purchasing Programs

Contracts and Agreements Requiring Advertising for Bids

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A 18A:18A-3 (as amended) and 18A:39-3 is \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public student transportation contract under N.J.S.A. 18A:39-3 is currently \$19,000 for 2017-2018.

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 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.

Based on the results of our examination, we 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:A8A-5.

School Food Service

The financial transactions and statistical records of the Charter School food services 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.

The Charter 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 break even. The operating results provision has been met. 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 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.

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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 school food service.

Net cash resources did not exceed three-month 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 education/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 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 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.

Food Distribution Program commodities were not received and therefore no inventory was maintained.

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

Student Body Activities

Our audit revealed some student body activities during the fiscal year ended June 30, 2018 which were accounted for in separate bank accounts. Our review of the record of the Student Body Activities did not disclose any exceptions.

Enrollment Counts and Submission to the Department

Our audit procedures included test of information reported on the October 15th, and the last day of school for on-roll, special education, bilingual and low income. We also performed a review of the Charter School procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data.

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Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

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

Follow-up on Prior Year's Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. The prior year's findings were corrected.

There were no audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) during the 2017-2018 fiscal year.

Acknowledgement

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.

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Food Service Fund
Number of Meals Served and (Over)/Underclaim
Enterprise Fund
For the Fiscal Year Ended June 30, 2018

Program	Meal Category	Meals Claimed	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch	Paid	4,889	4,889	-	0.44	\$ -
	Reduced	5,974	5,974	-	2.97	-
	Free	35,296	35,296	-	3.37	-
	Total	<u>46,159</u>	<u>46,159</u>	<u>-</u>		<u>-</u>
School Breakfast	Paid	560	560	-	0.30	-
	Reduced	2,262	2,262	-	1.79	-
	Free	4,805	4,805	-	2.09	-
	Total	<u>7,627</u>	<u>7,627</u>	<u>-</u>		<u>-</u>
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	0.88	-
	Total	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Total Net (Over)/Underclaim						<u><u>\$ -</u></u>

GRAY CHARTER SCHOOL
Application for Charter School Aid
Schedule of Audited Enrollments
Enrollment Count as of October 15, 2017

Grades	Submission to DOE reported on Roll	Reported on Workpapers	Verified signed registration forms	Errors	Verified # of days enrolled	Errors	Special Ed &/ or Bilingual	Verified Documentation	Errors	Verified # of days of Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	48	24	24	-	24	-	1	1	-	1	-	20	20	-
One	47	23	23	-	23	-	-	-	-	-	-	20	20	-
Two	46	23	23	-	23	-	-	-	-	-	-	21	21	-
Three	50	25	25	-	25	-	1	1	-	1	-	22	22	-
Four	43	22	22	-	22	-	-	-	-	-	-	17	17	-
Five	41	21	21	-	21	-	-	-	-	-	-	18	18	-
Six	23	12	12	-	12	-	-	-	-	-	-	10	10	-
Seven	24	12	12	-	12	-	-	-	-	-	-	11	11	-
Eight	18	9	9	-	9	-	-	-	-	-	-	8	8	-
Total	340	171	171	0	171	0	2	2	0	2	0	147	147	0
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

GRAY CHARTER SCHOOL
Application for Charter School Aid
Schedule of Audited Enrollments
Enrollment Count as of Last Day of School

Grades	Submission to DOE reported on Roll	Reported on Workpapers	Verified signed registration forms	Errors	Verified # of days enrolled	Errors	Special Ed &/ or Bilingual	Verified Documentation	Errors	Verified # of days of Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	47	23	23	-	23	-	-	-	-	-	-	20	20	-
One	48	24	24	-	24	-	-	-	-	-	-	24	24	-
Two	46	23	23	-	23	-	-	-	-	-	-	21	21	-
Three	49	24	24	-	24	-	-	-	-	-	-	18	18	-
Four	40	20	20	-	20	-	-	-	-	-	-	16	16	-
Five	38	19	19	-	19	-	-	-	-	-	-	16	16	-
Six	23	11	11	-	11	-	1	1	-	1	-	7	7	-
Seven	24	12	12	-	12	-	-	-	-	-	-	10	10	-
Eight	18	9	9	-	9	-	1	1	-	1	-	6	6	-
Total	333	165	165	0	165	0	2	2	0	2	0	138	138	0
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

**GRAY CHARTER SCHOOL
NET CASH RESOURCE SCHEDULE**

Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
Year ended June 30, 2018

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR	*	Current Assets
B-4		Cash & Cash Equiv. \$ 37,823
B-4		Due from Other Gov'ts 39,127
B-4		Accounts Receivable 6,999
B-4		Investments -
CAFR		Current Liabilities
B-4		Less Accounts Payable -
B-4		Less Accruals -
B-4		Less Due to Other Funds -
B-4		Less Deferred Revenue -
		Net Cash Resources \$ 83,949 (A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5		Tot. Operating Exp. 142,903
B-5		Less Depreciation -
		Adj. Tot. Oper. Exp. \$ 142,903 (B)
 <u>Average Monthly Operating Expense:</u>		
		B / 10 \$ 14,290 (C)
 <u>Three times monthly Average:</u>		
		3 X C \$ 42,871 (D)

TOTAL IN BOX A	\$	83,949	
LESS TOTAL IN BOX D	\$	(42,871)	
NET	\$	41,078	
From above:			
D is less than A, cash exceeds 3 X average monthly operating expenses.			

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

Source: Charter School's CAFR

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Audit Recommendations Summary

Findings and Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

The findings in the prior year 2017 were all corrected.