

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

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

FINANCIAL, COMPLIANCE AND PERFORMANCE

For the Fiscal Year Ended June 30, 2018

**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, 2018, and have issued our report thereon dated February 25, 2019.

As part of our audit, we performed procedures required by the Office of School Finance, New Jersey Department of Education, State of New Jersey, 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
February 25, 2019

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).

Officials' Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Sung Yi	School Business Administrator/ Board Secretary	\$ 200,000

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, 2018, for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Financial Planning, Accounting and Reporting (Continued)

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.

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 for the period July 1, 2017 to December 31, 2017. The North Ward Center, Inc. received an unmodified opinion on its December 31, 2017 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) as amended by the Every Student Succeeds Act (E.S.S.A.)

The E.S.E.A. 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. 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

Finding 2018-01

The School did not submit the Reimbursement to the State of New Jersey by the required due date of October 1, 2018, for those employees whose salaries are identified as being paid from federal funds. The report was submitted October 10, 2018. The expenditure was reviewed subsequent to the reimbursement and it was noted that TPAF contractual salaries were incorrectly calculated and reported, and an additional amount is due to the state.

Recommendation

That the School submit the Reimbursement to the State of New Jersey by the required due date of October 1, 2018, and that the contractual salaries be calculated correctly.

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 \$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 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 no 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.

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 bank 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. 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 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.

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.

The Statement of Revenues, Expenses, and Changes in Net Fund Position (CAFR Exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

Charter School Enrollment System/Charter School Aid

Our audit procedures included a test of enrollment information reported on October 13, 2017, 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.

Miscellaneous

Before and After Care Program

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

Testing for Lead of all Drinking Water in Educational Facilities

The 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 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 Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on the prior year finding.

Acknowledgment

We wish to express our appreciation for the cooperation and assistance extended to us by Theresa Adubato, 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.
Schedule of Meal County Activity
Number of Meals Served and (Over) Under Claim - Federal
Proprietary Funds - Food Services
For the Fiscal Year Ended June 30, 2018

<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	20,383	20,383	20,383	-	\$ 0.33	\$ -
National School Lunch (High Rate)	Reduced	14,900	14,900	14,900	-	2.85	-
National School Lunch (High Rate)	Free	<u>65,629</u>	<u>65,629</u>	<u>65,629</u>	-	3.25	<u>-</u>
	TOTAL	<u>100,912</u>	<u>100,912</u>	<u>100,912</u>			<u>-</u>
National School Lunch	HHFKA - PB Lunch Only	<u>100,912</u>	<u>100,912</u>	<u>100,912</u>	-	0.06	<u>-</u>
School Breakfast (Severe Needs Rate)	Paid	1,898	1,898	1,898	-	0.30	-
School Breakfast (Severe Needs Rate)	Reduced	3,367	3,367	3,367	-	1.79	-
School Breakfast (Severe Needs Rate)	Free	<u>16,218</u>	<u>16,218</u>	<u>16,218</u>	-	2.09	<u>-</u>
	TOTAL	<u>21,483</u>	<u>21,483</u>	<u>21,483</u>			<u>-</u>
Special Milk	Paid				-	0.2075	-
After School Snacks	Paid				-	0.88	-
After School Snacks	Reduced				-	0.88	-
After School Snacks	Free (Area Eligible)	<u>81,627</u>	<u>81,624</u>	<u>81,624</u>	-	0.88	<u>-</u>
	TOTAL	<u>81,627</u>	<u>81,624</u>	<u>81,624</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.
Schedule of Meal County Activity
Number of Meals Served and (Over) Under Claim - State
Proprietary Funds - Food Services
For the Fiscal Year Ended June 30, 2018

<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	20,383	20,383	20,383	-	\$ 0.05	\$ -
State Reimbursement -National School Lunch (Regular Rate)	Reduced	14,900	14,900	14,900	-	0.055	-
State Reimbursement -National School Lunch (Regular Rate)	Free	<u>65,629</u>	<u>65,629</u>	<u>65,629</u>	-	0.055	<u>-</u>
	TOTAL	<u>100,912</u>	<u>100,912</u>	<u>100,912</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, 2018

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
B-4	80,448	Due from Other Governments
B-4	60,973	Accounts Receivable
B-4		Investments
CAFR		Current Liabilities
B-4		Less Accounts Payable
B-4	(26,739)	Less Accruals
B-4		Less Due to Other Funds
B-4		Less Deferred Revenue
		Net Cash Resources
	\$	114,682 (A)

Net Adjusted Total Operating Expenses:

B-5		Total Operating Expenses	445,070	
B-5		Less Depreciation	(5,819)	
		Adjusted Total Operating Expenses	\$	439,251 (B)

Average Monthly Operating Expense:

B / 11	\$	39,932 (C)
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Three times monthly Average:

3 X C	\$	119,796 (D)
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TOTAL IN BOX A	\$	114,682
LESS TOTAL IN BOX D	\$	119,796
NET	\$	(5,114)

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 13, 2017

SCHEDULE OF AUDITED ENROLLMENTS:

Grades	Submission To DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed and/or Bilingual	Verified Documentation	Errors	Verified # Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	80	41	41	0	41	0	1	1	0	1	0	12	12	0
One	77	36	36	0	36	0	3	3	0	3	0	8	8	0
Two	78	39	39	0	39	0	4	4	0	4	0	17	17	0
Three	76	38	38	0	38	0	2	2	0	2	0	9	9	0
Four	77	39	39	0	39	0	4	4	0	4	0	10	10	0
Five	77	39	39	0	39	0	0	0	0	0	0	12	12	0
Six	72	36	36	0	36	0	1	1	0	1	0	6	6	0
Seven	74	37	37	0	37	0	4	4	0	4	0	14	14	0
Eight	67	34	34	0	34	0	4	4	0	4	0	11	11	0
TOTAL	678	339	339	0	339	0	23	23	0	23	0	99	99	0

Percentage

0.00%

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 2018

SCHEDULE OF AUDITED ENROLLMENTS:

Grades	Submission To DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms		Errors	Verified # Days Enrolled	Special Ed and/or Bilingual		Verified Documentation		Verified # Days Service Provided	Low Income		Errors	Verified Documentation	Errors
			Verified	Registration Forms			Special Ed and/or Bilingual	Verified Documentation	Errors	Low Income		Errors				
Kindergarten	80	39	39	0	0	39	1	1	1	0	1	12	0	0	12	0
One	77	41	41	0	0	41	2	2	2	0	2	10	0	0	10	0
Two	78	39	39	0	0	39	3	3	3	0	3	11	0	0	11	0
Three	76	38	38	0	0	38	1	1	1	0	1	13	0	0	13	0
Four	77	38	38	0	0	38	5	5	5	0	5	14	0	0	14	0
Five	77	38	38	0	0	38	3	3	3	0	3	6	0	0	6	0
Six	72	36	36	0	0	36	2	2	2	0	2	14	0	0	14	0
Seven	74	37	37	0	0	37	0	0	0	0	0	8	0	0	8	0
Eight	67	33	33	0	0	33	2	2	2	0	2	10	0	0	10	0
TOTAL	678	339	339	0	0	339	19	19	19	0	19	98	0	0	98	0

Percentage

0.00%

0.00%

0.00%

0.00%

0.00%

ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

That the School submit the Reimbursement to the State of New Jersey by the required due date of October 1, 2018, and that the contractual salaries be calculated correctly.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None – Not Applicable

6. Charter School Enrollment System/Charter School Aid

None

7. Pupil Transportation

None – Not Applicable

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Corrective action had been taken on the prior year finding.