

**OCEAN ACADEMY CHARTER SCHOOL**

Lakewood, New Jersey  
County of Ocean

**Auditor's Management Report on Administrative Findings -  
Financial, Compliance and Performance  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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

Honorable President and Members  
of the Board of Trustees  
Ocean Academy Charter School  
County of Ocean  
Lakewood, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Ocean Academy Charter School in the County of Ocean for the year ended June 30, 2018, and have issued our report thereon dated December 5, 2018.

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 Ocean Academy Charter School management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Toms River, New Jersey  
December 5, 2018

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**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 Education, and the records of the various funds under the auspices of the Charter School.

**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 District's CAFR.

**Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Cindy Coughlin	Board Secretary/School Business Administrator	\$125,000

**Tuition Charges**

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

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

A sample examination of claims paid during the period under the review indicated the following discrepancies with respect to signatures, certification or supporting documentation.

**Finding 2018-001:**

It was noted during our audit that various purchases did not have properly approved purchase orders, proper supporting documentation or claimant signatures, and in some cases, properly signed checks.

**Recommendation:**

The Charter School needs to properly follow State procurement laws as well as established internal controls. The Charter School should ensure that all employees involved in procurement are properly trained in this area to avoid future discrepancies and breakdowns in internal controls.

### **Payroll Account**

The net salaries of sampled employees of the board were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

Sampled payrolls were approved by the Superintendent and were certified by the President of the Board and the School Business Administrator/Board Secretary.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the School Business Administrator/Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

### **Employee Position Control Roster**

A sample inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

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

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. *Various adjustments were made in order to correct the classification of accounts payable as of June 30.*

### **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23 A-16.29(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of a sample of 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, a transaction error rate of 0 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the board secretary yielded the following exceptions:

#### **Finding 2018-002:**

It was noted during our audit that the Charter School is not properly reconciling school bank accounts to its general ledger.



**Recommendation:**

That the Charter School properly reconcile all bank accounts to its general ledger on a monthly basis.

**Finding 2018-003**

It was noted during our testing of petty cash that proper petty cash procedures are not in place. Petty cash is improperly being utilized to reimburse employees for out of pocket expenses. Petty cash should be used for emergency purchases. Reimbursements to employees should be done through properly approved purchase orders. Further, there was an unreconciled difference noted during our count of the petty cash.

**Recommendation:**

That the Charter School implements proper internal controls to ensure that petty cash is properly used and accounted for.

**Finding 2018-04:**

The Charter School extended day care program ended the year in deficit.

**Recommendation:**

That the Charter School review its extended day care program and create a budget which keeps the program from running at a deficit.

**Treasurer's Records**

The Charter School does not maintain an independent Treasurer.

**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 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 no areas of noncompliance and/or questionable costs.

**Other Special Federal and/or State Projects**

The School District'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 sample 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**

The Charter School has no T.P.A.F reimbursements during the year as it was not yet enrolled in the pension system.

### **T.P.A.F. Reimbursement to the State for Federal Salary Expenditures**

This was not applicable as the Charter School did not receive any reimbursements during the year.

### **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 is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at: [http://lis.njleg.state.nj.us/cgi-bin/om\\_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC\\_Frame\\_Pg42](http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42)

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 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 tests on sample basis, 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*.

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

### **School Food Service**

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program costs of goods sold. All revenue and cost are program related.

### **Enrollment Counts and Submissions to the Department**

Our audit procedures included tests of enrollment information reported on October 13, 2017 and the last day of school for on-roll, special education, bilingual and low-income. No exceptions were noted.

### **Follow-up on Prior Year Findings**

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year findings reported in the prior year's Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance. This was the first year of operations, this section is not applicable.

### **Office of Fiscal Accountability and Compliance (OFAC) Findings**

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the fiscal year ended June 30, 2018.

### **Acknowledgment**

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Toms River, New Jersey  
December 5, 2018

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**ADDITIONAL INFORMATION**

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SCHEDULE OF AUDITED ENROLLMENTS (1)

OCEAN ACADEMY CHARTER SCHOOL  
 CHARTER SCHOOL ENROLLMENT  
 AS OF OCTOBER 13, 2017

	Submitted to DOE Reported On Roll	Sample for Verification Included in Col. 1												
		Reported on Workpapers On Roll	Verified	Errors	Verified # of Days Enrolled	Errors	Special Ed & Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Full Time Kindergarten														
One	53	46	46	-	46	-	20	20	-	20	-	35	35	-
Two	42	36	36	-	36	-	9	9	-	9	-	24	24	-
	41	35	35	-	35	-	14	14	-	14	-	23	23	-
Subtotal	136	117	117	-	117	-	43	43	-	43	-	82	82	-
Special Ed - Elementary														
	15	13	13	-	13	-	11	11	-	11	-	10	10	-
Subtotal	15	13	13	-	13	-	11	11	-	11	-	10	10	-
Totals	151	130	130	-	130	-	54	54	-	54	-	92	92	-
Percentage Error														

OCEAN ACADEMY CHARTER SCHOOL  
 CHARTER SCHOOL ENROLLMENT  
 LAST DAY OF SCHOOL

	Submitted to DOE Reported On Roll	Sample for Verification Included in Col. 1												
		Reported on Workpapers On Roll	Verified	Errors	Verified # of Days Enrolled	Errors	Special Ed & Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Full Time Kindergarten														
One	55	47	47	-	47	-	16	16	-	16	-	35	35	-
Two	42	36	36	-	36	-	7	7	-	7	-	24	24	-
	40	34	34	-	34	-	10	10	-	10	-	23	23	-
Subtotal	137	117	117	-	117	-	33	33	-	33	-	82	82	-
Special Ed - Elementary														
	14	12	12	-	12	-	8	8	-	8	-	9	9	-
Subtotal	14	12	12	-	12	-	8	8	-	8	-	9	9	-
Totals	151	129	129	-	129	-	41	41	-	41	-	91	91	-
Percentage Error														

SCHEDULE OF AUDITED ENROLLMENTS (2)

OCEAN ACADEMY CHARTER SCHOOL  
 CHARTER SCHOOL ENROLLMENT  
 AS OF JUNE 30, 2018

	Low Income				Resident LEP Low Income			
	Reported on CHE Low Income	Reported on Workpapers as Low Income	Sample for Verification		Reported on CHE LEP low Income	Reported on Workpapers as LEP low Income	Sample for Verification	
			Sample Selected from Workpapers	Verified to Application & Register			Sample Selected from Workpapers	Verified to Test Score & Register
Full Time Kindergarten	51	51	35	35	20	20	15	15
One	35	35	24	24	9	9	7	7
Two	34	34	23	23	14	14	11	11
Subtotal	120	120	82	82	43	43	33	33
Special Ed - Elementary	14	14	10	10	11	11	8	8
Subtotal	14	14	10	10	11	11	8	8
Totals	134	134	92	92	54	54	41	41
Percentage Error	-	-	-	-	-	-	-	-



OCEAN ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	FEDERAL AWARD IDENTIFICATION NUMBER	PASS THROUGH ENTITY NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2017	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	ADJUSTMENTS	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2018	UNEARNED REVENUE AT JUNE 30, 2018
<b>U.S. Department of Agriculture</b> Passed Through New Jersey Department of Agriculture Child Nutrition Cluster: School Breakfast Program	10.553	181NJ304N1099	100-010-3350-028	\$ 39,100	7/1/17-6/30/18	\$ -	\$ 30,723	\$ (39,100)	\$ -	\$ -	\$ (8,377)	\$ -
National School Lunch Program	10.555	181NJ304N1099	100-010-3350-026	69,184	7/1/17-6/30/18	-	54,622	(69,184)	-	-	(14,562)	-
Snacks Program	10.555	181NJ304N1099	100-010-3350-026	327	7/1/17-6/30/18	-	301	(327)	-	-	(26)	-
Healthy Hunger Free Kids Act	10.555	181NJ304N1099	100-010-3350-026	1,349	7/1/17-6/30/18	-	1,063	(1,349)	-	-	(286)	-
Total Child Nutrition Cluster							55,986	(70,860)	-	-	(14,874)	-
<b>Total U.S. Department of Agriculture</b>							86,709	(109,960)	-	-	(23,251)	-
<b>U.S. Department of Education</b> Passed Through New Jersey Department of Education Every Student Succeeds Act (ESSA) Title I - Part A	84.010	S010A170030	100-034-5064-194	89,189	7/1/17-6/30/18	-	-	(81,672)	-	-	(81,672)	-
Title II - Part A, Supporting Effective Instruction	84.367	S367A170029	100-034-5063-290	10,348	7/1/17-6/30/18	-	-	(3,439)	-	-	(3,439)	-
Title III	84.365	S365A170030	100-034-5063-290	10,457	7/1/17-6/30/18	-	-	(8,144)	-	-	(8,144)	-
<b>Total U.S. Department of Education</b>							-	(93,255)	-	-	(93,255)	-
<b>Total Federal Financial Assistance</b>							\$ 86,709	\$ (203,215)	\$ -	\$ -	\$ (116,506)	\$ -

OCEAN ACADEMY CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
June 30, 2018

GRANTOR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT		CASH RECEIVED	BUDGETARY EXPENDITURES	SUBRECIPIENT EXPENDITURES	REPAYMENT OF PRIOR YEARS BALANCE	(ACCOUNTS RECEIVABLE) 2018	UNEARNED REVENUE 2018	DUE TO GRANTOR 2018	MEMO	
			JUNE 30, 2018	JUNE 30, 2018								BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<b>New Jersey Department of Education:</b>													
General Fund:													
495-034-5120-078	\$ 354,664	7/1/17-6/30/18	\$ -	\$ -	\$ 388,422	\$ (354,664)	\$ -	\$ -	\$ (878)	\$ -	\$ 34,636	\$ -	\$ 354,664
495-034-5120-089	33,218	7/1/17-6/30/18	-	-	33,159	(33,218)	-	-	(59)	-	-	-	33,218
495-034-5120-084	52,743	7/1/17-6/30/18	-	-	42,764	(52,743)	-	-	(9,979)	-	-	-	52,743
Total State Aid Public			-	-	464,345	(440,625)	-	-	(10,916)	-	34,636	-	440,625
Total General Fund			-	-	464,345	(440,625)	-	-	(10,916)	-	34,636	-	440,625
<b>New Jersey Department of Agriculture:</b>													
Enterprise Fund:													
100-010-3350-023	1,231	7/1/17-6/30/18	-	-	1,148	(1,231)	-	-	(83)	-	-	-	1,231
National School Lunch Program			-	-	1,148	(1,231)	-	-	(83)	-	-	-	1,231
Total Enterprise Fund			-	-	465,493	(441,856)	-	-	(10,999)	-	34,636	-	441,856
<b>Total State Financial Assistance</b>													

The accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Ocean Academy Charter School  
AUDIT RECOMMENDATIONS SUMMARY  
For the Fiscal Year Ended June 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**2018-001** - The Charter School needs to properly follow State procurement laws as well as established internal controls. The Charter School should ensure that all employees involved in procurement are properly trained in this area to avoid future discrepancies and breakdowns in internal controls.

**2018-002** - That the Charter School properly reconcile all bank accounts to its general ledger on a monthly basis.

**2018-003** - That the Charter School implements proper internal controls to ensure that petty cash is properly used and accounted for.

**2018-004** - That the Charter School review its extended day care program and create a budget which keeps the program from running at a deficit.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Charter School Enrollment System(CHE)

None

8. Pupil Transportation

None

9. Facilities and Capital Assets

None

10. Miscellaneous

None

11. Status of Prior Year Audit Findings/Recommendations

Not Applicable