

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

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**NEWARK EDUCATORS'
COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

JUNE 30, 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of Board of Trustees
Newark Educators' Community Charter School
County of Essex, 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 the Board of Trustees of the Newark Educators' Community Charter School (the "Charter School") in the County of Essex, State of New Jersey for the year ended June 30, 2019, and have issued our report thereon dated December 20, 2019.

As part of our audit, we performed procedures required by the State of 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 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.

A handwritten signature in black ink that reads "Leonora Galleros".

Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400

A handwritten signature in black ink that reads "Galleros Robinson CPAs, LLP".

Galleros Robinson CPAs, LLP
Certified Public Accountants

December 20, 2019
Cream Ridge, New Jersey

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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 of Newark Educators Community Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Required insurance coverages are carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Brian Falkowski	School Business Administrator	\$165,000

Adequate insurance is in effect with a duly licensed and authorized insurance company for all employees for the faithful performance of their duties.

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 we noted that claims were approved by designated individuals, certified and supporting documents were maintained. No exception noted.

Payroll Account

The net salaries of all employees of the Board 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 of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Payroll Account - continued

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund. Activities of the payroll agency accounts are accounted for via spreadsheets, and not in the general ledger system.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2019, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable. No exception was noted in this area.

Travel Policy

A travel policy was adopted by the Board as required by *N.J.A.C. 6A:23A A-6.13* and *N.J.S.A. 18A:11-12*.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23-8.2*. As a result of the procedures performed, we noted no deviations in expenditure or administrative coding classifications.

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval. In our review of the Charter School's instructional expense ratio to the total expenditures, we noted that it is below the 60% minimum threshold (actual 55%).

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared and were presented to the Board by the School Business Administrator/Board Secretary.

Elementary and Secondary Education Act (ESEA) as amended by amended by the Every Student Succeeds Act (ESSA)

The ESEA 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 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 Schedules A and B 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.

Teachers' Pension Annuity Fund (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter School employees who are members of the Teacher's Pension Annuity Fund. We noted no exceptions.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting – Continued

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 2018-19.

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.

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

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Food Service- Continued

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.

Non-program foods were not purchased, prepared, sold or offered for sale by the Charter School.

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

Charter School Enrollment System/Charter School Aid

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low-income students. We also performed a review of the Charter School's procedures related to its completion and noted the following:

Finding 2019-001

- a. One student classified as Special Education (SpEd) in CHE should have been classified as Speech only based on student IEP.
- b. One student classified as Speech only in CHE should have been declassified as of October 15, 2018 based on IEP.
- c. Two students were classified as SpEd based on IEP effective at October 15, 2018 but were not classified as SpEd in CHE.

Recommendation

We recommend that the School verify that CHE reported to the State is in accordance with the most recent student records for the fiscal year.

Facilities and Capital Assets

The Charter School has inventory records of assets. No exception was noted in this area.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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. Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation (with asterisk *).

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 our audit team.

Respectfully submitted,



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

December 20, 2019
Cream Ridge, New Jersey

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2018

Grades	Submission to DOE Reported On Roll	Reported on workpapers		50% Verification required 10/15/18	Verified Signed Registration Forms	Verified # days Enrolled		Submission to DOE Reported Special Ed/ Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors	
			Errors			Errors										
Pre-Kindergarten	45	45	0	23	23	0	23	0	1	1	0	1	0	19	19	0
Kindergarten	52	52	0	26	26	0	26	0	2	2	0	2	0	25	25	0
One	55	55	0	28	28	0	28	0	4	4	0	4	0	25	25	0
Two	47	47	0	24	24	0	24	0	2	4	-2	4	0	20	20	0
Three	48	48	0	24	24	0	24	0	5	5	0	5	0	21	21	0
Four	47	47	0	24	24	0	24	0	6	6	0	6	0	22	22	0
Total	294	294	0	149	149	0	149	0	20	22	-2	22	0	132	132	0
Percentage			0.0%			0%		0%			-10%		0%			0%

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 12, 2019**

Grades	Submission to DOE Reported On Roll	Reported on workpapers Errors		50% Verification required 6/30/19	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Submission to DOE Reported Special Ed/ Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors
Pre-Kindergarten	44	44	0	22	22	0	22	0	1	1	0	1	0	19	19	0
Kindergarten	53	53	0	27	27	0	27	0	2	2	0	2	0	23	23	0
One	55	55	0	28	28	0	28	0	4	3	1	3	0	25	25	0
Two	47	47	0	24	24	0	24	0	2	2	0	2	0	20	20	0
Three	50	50	0	25	25	0	25	0	5	4	1	4	0	21	21	0
Four	48	48	0	24	24	0	24	0	6	6	0	6	0	22	22	0
Total	297	297	0	150	150	0	150	0	20	18	2	18	0	130	130	0
Percentage			0.0%			0%		0%			10%		0%			0%

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2019

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1		\$ 4,363,962 (B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$	- (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	- (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$	- (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$	- (B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 368,345	(B2a)
Assets Acquired Under Capital Leases	\$	- (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 3,995,617	(B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$ 79,912	(B4)
Enter Greater of (B4) or \$250,000	\$ 250,000	(B5)
Increased by: Allowable Adjustment *	\$	- (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		\$ 250,000 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 989,043	(C)
Decreased by:		
Year-end Encumbrances	\$ 67,016	(C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$	- (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures **	\$	- (C3)
Other Restricted Fund Balances ****	\$	- (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year's Expenditures	\$	- (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		\$ 922,027 (U1)
Excess Surplus at June 30, 2019		\$ 672,027

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$	- (E)
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Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$	- (C3)
Reserved Excess Surplus ***[(E)]	\$	- (E)
Total Excess Surplus [(C3) + (E)]	\$	- (D)

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATION SUMMARY

FOR THE YEAR ENDED JUNE 30, 2019

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Charter School Enrollment System/Charter School Aid

We recommend that the School verify that CHE reported to the State is in accordance with the most recent student records for the fiscal year.

VII. Pupil Transportation

Not Applicable.

VIII. Miscellaneous

There are none.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATION SUMMARY

FOR THE YEAR ENDED JUNE 30, 2019

IX. Facilities and Capital Assets

There are none

X. Status of Prior's Years' Audit Findings/Recommendations

A review was performed on all prior year recommendations. Corrective actions had been completed or are still in process on prior findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation.