

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

**GREAT OAKS LEGACY CHARTER SCHOOL**

**JUNE 30, 2019**

**ILORI CPA LLC**

**CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS**

**INDEPENDENT AUDITOR’S MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
GREAT OAKS LEGACY CHARTER SCHOOL  
COUNTY OF ESSEX**

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## **INDEPENDENT AUDITOR’S REPORT**

Honorable President and Members of  
Board of Trustees  
Great Oaks Legacy Charter School  
County of Essex, 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 Board of trustees of Great Oaks Legacy Charter School (the “Charter School”) in the County of Essex in the 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 School’s management, Board of Trustees and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

**ILORI CPA LLC**

*KunleIlori*

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Kunle B. Ilori CPA  
Licensed Public School Accountant  
No. 20CS00233100

*ILORI CPA LLC*

Newark, New Jersey  
December 20, 2019

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**Scope of Audit**

The audit covered the financial transactions of Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Trustees, and the records of the various funds under the auspices of the Board of Trustees. Additional items discovered during our audit are also stated in this report.

**Administrative Practices and Procedures**

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the charter school's CAFR.

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

<u>Position</u>	<u>Amount</u>
School Business Administrator	\$50,000

Our review of insurance policies disclosed that the Charter School maintains fidelity insurance on officers in certain financial position such as the School Business Administrator and the Board Treasurer.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the school and all proceeds for before/after school program were accounted for in an Enterprise Fund.

**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.

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**Financial Planning, Accounting and Reporting – Continued**

Payroll Account

While the net salaries of all employees of the Charter School were deposited in the Payroll account, all payrolls were approved by the designee in the charter school and were certified by the President of the Board and the Board Secretary/ Business Administrator.

***Observation***

Employees' payroll deductions and employee's share of fringe benefits including health were deposited in the agency account in accordance with N.J. A. C. 5:30-17 to be remitted to appropriate governmental agencies or outside party such as Health Insurance Company.

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 Reserve for Encumbrances and Accounts Payable, disclosed no instances of noncompliance with laws and regulations.

Travel

While there was no travel event that was up to \$5,000 or more which would require approval of the County superintendent of Education. The charter school has a travel policy that is consistent and complies with NJSA 18A:11.

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the 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 randomly selected expenditure items. As a result of the procedures performed, a transaction error rate of 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

During our test of transactions, it was noted that the charter school properly classified its expenditures using the technical accounting manual as a reliable source for its accounting transactions.

***Observation:***

The Charter school consistently referenced Charter School accounting manual titled *The Uniform Chart of Accounts (Handbook 2R2) for New Jersey Public School* for guidance in transaction postings thereby enhancing its reporting process.

B. Administration classification findings

During our test of transactions, it was noted that the charter school properly classified the state tuition aid to different categories as provided by the state such as Security aid, special education, preschool aid and state share.

**Financial Planning, Accounting, and Reporting**

Board Secretary's Records

Our review of the financial and accounting records maintained by the business office disclosed no instances of noncompliance. The Board acknowledged the receipt of the monthly financial reports in the minutes. In addition, procurement for goods and services are approved and documented in the minutes of the Board of Trustees.

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**Financial Planning, Accounting, and Reporting**

Treasurer's Records

The school does not maintain position of treasurer school of moneys; rather the school business administrator handles all administrative issues, and cash transactions while the accountant record all transactions and prepare bank account reconciliations.

No exceptions noted in the year ended June 30, 2019.

**SCHOOL FOOD SERVICE**

The school food service program was not selected as a major federal and State program, thereby limiting the audit test. However, the program expenditures exceeded \$100,000 in federal and state support. Accordingly, we inquired of school management whether the school food aid reimbursement was overclaimed. No exceptions noted

Furthermore, 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 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 non-profit status of the school food service. Net cash resources did not exceed three months' average expenditures as computed in the attached schedule. 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 or certified in a timely manner. No exceptions noted.

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**SCHOOL FOOD SERVICE - CONTINUED**

Participation in food program was based on two different levels, the downtown campus is not a community eligible program participant while the South 16<sup>th</sup> campus is recognized as CEP participant. The required verification procedures for free and reduced-price applications were completed and were made available for review.

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 and/or 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. No exceptions noted.

It must be noted that the school has implemented a new process of automating the food program applications with significant embedded controls on compliance which if properly utilized will enhance the efficiency and effectiveness of the program.

As required by United States Department of Agriculture, when eligibility is determined using application process, the participating schools should use recommended sampling technique as prescribed by the USDA to conduct verification test. The result of the test should be communicated to parents or guardians. Furthermore, where there is a change of status, this must also be communicated to parent or guardian using "form 318".

**Finding**

The school failed to report the result of the verification test or status change if any to the participating parents and guardians.

**Recommendation**

The school must adhere to the prescribed procedures as provided by the United States Department of Agriculture (USDA) and New Jersey Department of Education (NJDOE) relating to the management of the food program verification.

**Finding**

USDA requires that all entire verification process must be submitted by November 30<sup>th</sup>, 2018 for fiscal year ended June 30, 2019 using School Nutrition Electronic Application Reimbursement System (SNEARS). The school submitted the last report the next business day December 3, 2018.

**Recommendation**

We recommend timely submission of the verification process report via SNEAR in the future.



**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**STUDENT BODY ACTIVITIES**

No exceptions were noted during our review of student activity fund.

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

The E.S.S.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 VI of the Elementary and Secondary Act as amended and reauthorized. The study of the compliance for E.S.S.A. indicated the no exceptions of noncompliance and questionable costs.

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

The charter school's Special Grants were approved as listed on Schedules A and B located in the CAFR. 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 special projects. The review of Special projects for compliance by the oversight agency uncovered instances of non-compliance as indicated below. Our procedures require us to determine the extent and the impact of such monitoring reports on our audit. Based on our procedures, we noted no exceptions.

**On Behalf Payments**

**FICA Reimbursement**

Our audit procedures included a test of the biweekly FICA reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity (TPAF) Fund. No exceptions were noted in the process.

**TPAF Reimbursement to the State for Federal Salary Expenditures**

Charter school is required to accrue a liability for the TPAF Pension and Social Security related to teacher's salaries charged to federal grants with the objective to reimburse the state within 60 - 90days after the year end. We noted no exceptions relating the procedures.

**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/njded/pscl/index.html>.

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

Effective July 1, 2010 and thereafter the bid in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 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 currently \$19,000.

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 questions arise 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.

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price thereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement."

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

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**Enrollment Counts and Submission to the Department**

We reviewed the enrollment process with the management; we noted that the school has well written internal procedures that describe the enrollment count process. The procedures describe how the count is taken, who is responsible for compiling the data, completing the enrollment count submission, and detail various responsibilities for collection of the data and the follow up procedures to make amendments if necessary.

**Finding \***

While we noted a few unexcused absences of some students, we also identified five (5) students who were absent for ten (10) or more consecutive days. In accordance with NJSA 18A:38 et al., and with N.J.A.C.6A: 23A-15.1et.seq, student will be considered ‘dropout’ if absent more than 10 consecutive days. The charter school is also required to notify school district in writing.

**Recommendation**

We recommend better controls designed to bring the students to the school such as formal inquiry as well as phone calls to the parents or guardians and use of truancy process to mitigate the current condition.

\* Repeat finding

**GREAT OAKS LEGACY CHARTER SCHOOL  
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE  
COUNTY OF ESSEX**

**Facilities and Capital Assets**

Capital Assets

Inventory of assets and tracking

***Observation:***

The inventory of capital assets was maintained and updated for the year ended June 30, 2019 as required to account for new acquisitions and disposals with their related depreciation expense.

**Follow-up on Prior Year Findings**

In accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, our procedures include review of prior year findings and recommendations in relation to the corrective action plan undertaken by the School. Corrective Action Plan was implemented except for the similar occurrences in the enrollment.

**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.

GREAT OAKS LEGACY CHARTER SCHOOL  
 APPLICATION FOR CHARTER SCHOOL AID  
 ENROLLMENT COUNT AS OF OCTOBER 15, 2018

SCHEDULE OF AUDITED ENROLLMENTS

Grades	(State) Submission to DOE	Reported on Work Papers	Verified Signed Registration	Errors	Verified No. Days Enrolled	Errors	Special Ed And/Or Bilingual	Verified Documentation	Errors	Verified No. Days Services Provided	Errors	Low Income	Verified Documentation	Errors
PRE-K	27	27	25	2	27	1	0	0	0	0	0	0	0	0
KINDER	80	80	78	2	80	2	0	0	0	0	0	40	40	0
Grade 1	78	78	75	3	78	3	2	2	0	2	0	43	43	0
Grade 2	39	39	37	2	39	3	7	5	2	7	0	0	0	0
Grade 3	42	42	39	3	42	2	3	3	0	3	1	0	0	0
Grade 4	39	39	35	4	39	1	5	5	0	5	2	0	0	0
Grade 5	82	82	79	3	82	4	7	7	0	7	0	39	38	1
Grade 6	72	72	70	2	72	0	9	9	0	9	2	34	34	0
Grade 7	71	71	70	1	71	2	12	9	3	12	0	36	35	1
Grade 8	75	75	72	3	75	5	10	10	0	11	0	41	41	0
Grade 9	57	57	55	2	57	6	11	11	0	11	2	59	59	0
Grade 10	51	51	47	4	51	2	7	6	1	7	0	53	53	0
Grade 11	40	40	37	3	40	4	5	5	0	5	0	43	43	0
Grade 12	43	43	40	3	43	5	7	7	0	7	0	44	43	1
<b>TOTAL</b>	<b>796</b>	<b>796</b>	<b>759</b>	<b>37</b>	<b>796</b>	<b>40</b>	<b>85</b>	<b>79</b>	<b>6</b>	<b>86</b>	<b>7</b>	<b>432</b>	<b>429</b>	<b>3</b>

PERCENTAGE

4.65%

5.03%

7.06%

8.24%

0.69%

GREAT OAKS LEGACY CHARTER SCHOOL  
 APPLICATION FOR CHARTER SCHOOL AID  
 ENROLLMENT COUNT AS OF JUNE 30, 2019

SCHEDULE OF AUDITED ENROLLMENTS

Grades	(State) Submission to DOE	Reported on Work Papers	Verified Signed Registration	Errors	Verified No. Days Enrolled	Errors	Special Ed And/Or Bilingual	Verified Documentation	Errors	Verified No. Days Services Provided	Errors	Low Income	Verified Documentation	Errors
PRE-K	27	27	25	2	27	1	0	0	0	0	0	0	0	0
KINDER	80	80	77	3	80	2	1	1	0	1	0	40	40	0
Grade 1	77	77	74	3	77	3	1	1	0	1	0	44	44	0
Grade 2	40	40	38	2	40	4	7	6	1	7	2	0	0	0
Grade 3	41	41	41	0	41	3	3	3	0	3	0	0	0	0
Grade 4	40	40	37	3	40	3	6	6	0	6	0	0	0	0
Grade 5	82	82	71	11	82	2	7	7	0	7	1	39	39	0
Grade 6	73	73	70	3	73	1	10	9	1	9	0	33	33	0
Grade 7	72	72	68	4	72	0	12	10	2	10	0	36	35	1
Grade 8	75	75	71	4	75	4	11	11	0	11	3	41	41	0
Grade 9	57	57	57	0	57	2	10	10	0	10	1	60	0	0
Grade 10	50	50	50	0	50	3	7	7	0	7	0	54	0	0
Grade 11	39	39	36	3	39	6	4	4	0	4	0	42	41	1
Grade 12	43	43	43	0	43	5	7	7	0	7	1	44	43	1
<b>TOTAL</b>	<b>796</b>	<b>796</b>	<b>758</b>	<b>38</b>	<b>796</b>	<b>39</b>	<b>86</b>	<b>82</b>	<b>4</b>	<b>83</b>	<b>8</b>	<b>433</b>	<b>316</b>	<b>3</b>

PERCENTAGE

4.77%

4.90%

4.65%

9.30%

0.69%

**GREAT OAKS LEGACY CHARTER SCHOOL**  
**Audit Recommendations Summary**  
**For the Fiscal Year Ended June 30,2019**

**Recommendations:**

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

A). The school must adhere to the prescribed procedures as provided by the United States Department of Agriculture (USDA) and New Jersey Department of Education (NJDOE) relating to the management of the food program verification.

B). We recommend timely submission of the verification process report via SNEAR in the future.

5. Student Body Activities

Not applicable

6. Application for State School Aid

None

7. Charter School Enrollment System (CHE) (Applicable to audits of charter schools)

We recommend better controls designed to bring the students to the school such as formal inquiry as well as phone calls to the parents or guardians and use of truancy process to mitigate the current condition.

8. Pupil Transportation

Not applicable

9. Facilities and Capital Assets

None

10. Miscellaneous

None

**GREAT OAKS LEGACY CHARTER SCHOOL**  
**Audit Recommendations Summary**  
**For the Fiscal Year Ended June 30,2019**

11. Status Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.