

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report**  
**On**  
**Administrative Findings**  
**Financial, Compliance**  
**And Performance**  
**June 30, 2019**

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
**Financial, Compliance and Performance**  
**For the Year Ended June 30, 2019**

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**Tax Identification Number: 22-3626543**

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## **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, 2019, and have issued our report thereon dated November 15, 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*

November 15, 2019  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
**Financial, Compliance and Performance**  
**For the Year Ended June 30, 2019**

**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**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount</u></b>
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.

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
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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 2018-2019.

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.

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
**Financial, Compliance and Performance**  
**For the Year Ended June 30, 2019**

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, 2019 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.



**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
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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 2018-2019 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.

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
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**Food Service Fund**  
**Number of Meals Served and (Over)/Underclaim**  
**Enterprise Fund**  
**For the Fiscal Year Ended June 30, 2019**

Program	Meal Category	Meals Claimed	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch	Paid	3,294	3,294	-	0.44	\$ -
	Reduced	3,277	3,277	-	3.05	-
	Free	38,600	38,600	-	3.45	-
	Total	<u>45,171</u>	<u>45,171</u>	<u>-</u>		<u>-</u>
School Breakfast	Paid	297	297	-	0.31	-
	Reduced	424	424	-	1.84	-
	Free	10,664	10,664	-	2.14	-
	Total	<u>11,385</u>	<u>11,385</u>	<u>-</u>		<u>-</u>
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	Total	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Total Net (Over)/Underclaim						<u>\$ -</u>

**GRAY CHARTER SCHOOL**  
**Application for Charter School Aid**  
**Schedule of Audited Enrollments**  
**Enrollment Count as of October 15, 2018**

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	44	22	22	-	22	-	2	2	-	1	1	18	18	-
One	49	24	24	-	24	-	-	-	-	-	-	17	17	-
Two	44	22	22	-	22	-	-	-	-	-	-	16	16	-
Three	48	25	25	-	25	-	-	-	-	-	-	17	17	-
Four	43	21	21	-	21	-	1	1	-	1	-	19	19	-
Five	43	21	21	-	21	-	-	-	-	-	-	15	15	-
Six	32	16	16	-	16	-	-	-	-	-	-	14	14	-
Seven	23	12	12	-	12	-	-	-	-	1	(1)	10	10	-
Eight	23	12	12	-	12	-	1	1	-	1	-	10	10	-
<b>Total</b>	<b>349</b>	<b>175</b>	<b>175</b>	<b>0</b>	<b>175</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>136</b>	<b>136</b>	<b>0</b>
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	44	22	22	-	22	-	-	-	-	-	-	16	16	-
One	48	24	24	-	24	-	-	-	-	-	-	18	18	-
Two	41	20	20	-	20	-	-	-	-	-	-	16	16	-
Three	48	24	24	-	24	-	-	-	-	-	-	17	17	-
Four	40	20	20	-	20	-	1	1	-	1	-	18	18	-
Five	40	20	20	-	20	-	-	-	-	-	-	17	17	-
Six	31	16	16	-	16	-	-	-	-	-	-	15	15	-
Seven	24	12	12	-	12	-	1	1	-	1	-	9	9	-
Eight	24	12	12	-	12	-	1	1	-	1	-	10	10	-
<b>Total</b>	<b>340</b>	<b>170</b>	<b>170</b>	<b>0</b>	<b>170</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>136</b>	<b>136</b>	<b>0</b>
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, 2019

<u>Net Cash Resources:</u>	<b>Food Service B - 4/5</b>	
<b>CAFR</b> *		<b>Current Assets</b>
B-4	\$ 31,006	Cash & Cash Equiv.
B-4	85,631	Due from Other Gov'ts
B-4	3,593	Accounts Receivable
B-4	-	Investments
<b>CAFR</b>		<b>Current Liabilities</b>
B-4	-	Less Accounts Payable
B-4	-	Less Accruals
B-4	-	Less Due to Other Funds
B-4	-	Less Deferred Revenue
	<b>\$ 120,230</b>	<b>Net Cash Resources</b>
	<b>120,230</b>	<b>(A)</b>
 <b><u>Net Adj. Total Operating Expense:</u></b>		
B-5	145,788	Tot. Operating Exp.
B-5	-	Less Depreciation
	<b>\$ 145,788</b>	<b>Adj. Tot. Oper. Exp.</b>
	<b>145,788</b>	<b>(B)</b>
 <b><u>Average Monthly Operating Expense:</u></b>		
	<b>\$ 14,579</b>	<b>B / 10</b>
	<b>14,579</b>	<b>(C)</b>
 <b><u>Three times monthly Average:</u></b>		
	<b>\$ 43,736</b>	<b>3 X C</b>
	<b>43,736</b>	<b>(D)</b>

TOTAL IN BOX A	\$ 120,230	
LESS TOTAL IN BOX D	\$ (43,736)	
NET	<b>\$ 76,494</b>	
From above:		
<b>D is less than A, cash exceeds 3 X average monthly operating expenses.</b>		

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

Source: Charter School's CAFR

**GRAY CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
**Financial, Compliance and Performance**  
**For the Year Ended June 30, 2019**

**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 were no findings in the prior year 2018.