

**DR. LENA EDWARDS ACADEMIC
CHARTER SCHOOL**

**Auditors' Management Report
On
Administrative Findings
Financial, Compliance
And Performance
June 30, 2020**

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL

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Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Honorable President and
Members of the Board of Trustees
Dr. Lena Edwards Academic Charter School
County of Hudson, 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 Dr. Lena Edwards Academic Charter School in the County of Hudson, for the year ended June 30, 2020, and have issued our report thereon dated January 15, 2021.

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 Dr. Lena Edwards Academic 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

January 15, 2021
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



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

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
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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-20, Insurance Schedule contained in the charter school's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Brian Falkowski	Board Secretary/ School Business Administrator	\$200,000

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 an Employee's Faithful Performance Blanket Position Bond Policy covering for all other employees with coverage 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 and all proceeds for a 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.

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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 Chairman of the Board of Trustees and the Comptroller.

Salary withholdings were promptly remitted to the proper agencies including health benefits premium amounts withheld 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

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

This represents 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.

This did not apply for the fiscal year ended June 30, 2020 because did not charge any eligible employees to federal grants during the fiscal year.

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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 2019-2020.

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

COVID -19 Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A.18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Priced meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced priced meal eligible students during the emergency.

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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 entered into a Vended Meals Contract with the Piscataway School District effective July 1, 2019 to June 30, 2020. The agreement set the cost of vended meals to be \$1.50 for breakfast, \$2.50 for lunch and \$0.80 for after-school snacks.

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.

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 policy was reviewed for uniform administration throughout the school system. 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.

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Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2020

Student Body Activities

Our audit revealed some student body activities during the fiscal year ended June 30, 2020 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.

Miscellaneous

Facilities and Capital Assets

Our procedures included a review of policies and procedures adopted by the Charter School over its capital assets. We noted that acquisitions during the fiscal year ended June 30, 2020 met the capitalization threshold of \$2,000 set by the State of New Jersey's Department of Education for Charter Schools.

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 including findings. Corrective action had been taken by management on prior year's findings 2019-001 and 2019-002.

The reported prior year's findings are as follows:

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2020

Finding # 2019-001 – TPAF/FICA Payment & Employer's PERS

For the prior fiscal year ended June 30, 2019, it was noted that the Charter School did not remit TPAF/FICA payments to the state. This resulted in a liability of \$249,714 at June 30, 2019, which represents amounts due to the state for the periods Fiscal Year 2015 through Fiscal Year 2019. In addition, the Charter School did not remit their PERS payments for fiscal years 2015 to 2019. The PERS appropriation must be paid annually by April 1st. The liability is \$486,281. It was recommended that the Charter School set up a payment plan with the state to pay the liabilities in their entirety.

We noted that the Charter set up a payment plan with the New Jersey Pension Department and all outstanding amounts were fully paid as of June 30, 2020

Finding # 2019-002 - Enrollment Finding

For the prior fiscal year ended June 30, 2019 the following was noted during the review of the Charter School's enrollment records:

The Charter School reported students incorrectly classified:

October 15th Enrollment:

- I. One student should have been classified as free, but was classified as paid
- II. One student was classified as free, but the student's name was not on the listing from the state
- III. Three students were properly classified, however, the certification form was not properly filled out by the food service director
- IV. Two students should have been classified as reduced, but were classified as free.

Last day of the Year Enrollment:

- I. One student was classified as free, but the student's name was not on the listing from the state
- II. Four students were properly classified, however, the certification form was not properly filled out by the food service director
- III. Two students should have been classified as reduced, but were classified as free.

These enrollment findings were not noted for the fiscal year ended June 30, 2020.

There were no audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) during the 2019-2020 fiscal year.

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2020

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.

Food Service Fund
Number of Meals Served and (Over)/Underclaim
Enterprise Fund
For the Fiscal Year Ended June 30, 2020

Program	Meal Category	Meals Claimed	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch	Paid	2,145	2,145	-	0.46	\$ -
	Reduced	2,241	2,241	-	3.16	-
	Free	25,211	25,211	-	3.56	-
	SOS	-	-	-	3.43	-
	Total		<u>29,597</u>	<u>29,597</u>	<u>-</u>	
School Breakfast	Paid	1,224	1,224	-	0.31	-
	Reduced	1,845	1,845	-	1.90	-
	Free	18,853	18,853	-	2.20	-
	SOS	-	-	-	2.20	-
	Total		<u>21,922</u>	<u>21,922</u>	<u>-</u>	
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	0.94	-
	Total		<u>-</u>	<u>-</u>	<u>-</u>	
Total Net (Over)/Underclaim						<u><u>\$ -</u></u>

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
Application for Charter School Aid
Schedule of Audited Enrollments
Enrollment Count as of October 15, 2019

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	-	-	-	-	-	-	22	22	-
One	45	23	23	-	23	-	4	5	(1)	5	(1)	22	22	-
Two	47	23	23	-	23	-	-	1	(1)	1	(1)	23	23	-
Three	49	24	24	-	24	-	7	7	-	7	-	24	24	-
Four	45	23	23	-	23	-	4	4	-	4	-	22	22	-
Five	47	24	24	-	24	-	1	1	-	1	-	21	21	-
Six	47	24	24	-	24	-	1	2	(1)	2	(1)	17	17	-
Seven	47	24	24	-	24	-	1	1	-	1	-	19	19	-
Eight	40	20	20	-	20	-	3	3	-	3	-	18	18	-
Total	411	207	207	0	207	0	21	24	-3	24	-3	188	188	0
Percentage				0.00%		0.00%			-14.29%		-14.29%			

DR. LENA EDWARDS ACADEMIC 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	-	1	2	(1)	2	(1)	21	21	-
One	45	22	22	-	22	-	2	3	(1)	3	(1)	21	21	-
Two	47	24	24	-	24	-	3	2	1	2	1	20	20	-
Three	48	24	24	-	24	-	3	2	1	2	1	22	22	-
Four	45	22	22	-	22	-	6	6	-	6	-	18	18	-
Five	47	23	23	-	23	-	1	1	-	1	-	21	21	-
Six	47	23	23	-	23	-	4	4	-	4	-	19	19	-
Seven	47	23	23	-	23	-	2	2	-	2	-	19	19	-
Eight	40	20	20	-	20	-	3	2	1	2	1	15	15	-
Total	410	203	203	0	203	0	25	24	1	24	1	176	176	0
Percentage				0.00%		0.00%			4.00%		4.00%			0.00%

**COMMUNITY CHARTER SCHOOL OF PATERSON
NET CASH RESOURCE SCHEDULE**

**Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
Year ended June 30, 2020**

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR *		Current Assets
B-4	\$ 687	Cash & Cash Equiv.
B-4	-	Due from Other Gov'ts
B-4	14	Accounts Receivable
B-4	-	Investments
CAFR		Current Liabilities
B-4	-	Less Accounts Payable
B-4	-	Less Accruals
B-4	-	Less Due to Other Funds
B-4	-	Less Deferred Revenue
	\$ 701	Net Cash Resources
		(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	411,006	Tot. Operating Exp.
B-5	-	Less Depreciation
	\$ 411,006	Adj. Tot. Oper. Exp.
		(B)
 <u>Average Monthly Operating Expense:</u>		
	\$ 41,101	B / 10
		(C)
 <u>Three times monthly Average:</u>		
	\$ 123,302	3 X C
		(D)

TOTAL IN BOX A	\$ 701	
LESS TOTAL IN BOX D	\$ (123,302)	
NET	\$ (122,601)	
From above:		
D is greater than A, cash exceeds 3 X average monthly operating expenses.		

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

Source: Charter School's CAFR

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
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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 reported prior year's findings are as follows:

DR. LENA EDWARDS ACADEMIC CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2020

Finding # 2019-001 – TPAF/FICA Payment & Employer's PERS

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