

LEAD CHARTER SCHOOL
Auditors' Management Report
On
Administrative Findings
Financial, Compliance
And Performance
June 30, 2020

LEAD CHARTER SCHOOL

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Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Lead 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 Lead Charter School in the County of Essex, for the year ended June 30, 2020, and have issued our report thereon dated January 19, 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 Lead 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 19, 2021
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



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

LEAD CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
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Year Ended June 30, 2020

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the Charter School, 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 charter school's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Brian Falkowski	School Business Administrator	\$130,000

There is a Public Employee's Faithful Performance Blanket Position Bond Policy covering all other employees with multiple coverage of \$25,000.

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

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the Charter School. And there is no evidence that the Charter School was engaged in the before/after school program during the year.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the year under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

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.

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All payrolls were approved by the designee in the Charter School and were certified by the President of the Board of Trustees, the School Business Administrator and the Principal/Director.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings due to the general fund.

Payrolls were delivered to the School Business Administrator/Board Secretary who then made cash transfers from the Operating account to the separate bank accounts for net payroll and the withholdings.

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) 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. 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:23 A-8.3. As a result of the procedures performed, no transaction error rate was noted.

Board Secretary's Records

We reviewed the financial and accounting records maintained by the Business Office and no exceptions were 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

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district 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.

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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 does not use a food service management company but contracts with a Food Vendor approved by the State. We noted that the Charter School deposited and expended food program monies in accordance with N.J.S.A 18A:17-34, and 19-1 through 19-4.1.

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 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.

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

Student Body Activities

Our audit did not reveal and student body activities during the year ended June 30, 2020.

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. Our audit revealed the following findings:

Finding # 2020-001 – Enrollment

1. Four students listed on Direct Certification report were not reported for free lunch on NJDOENET.
2. We noted seven (7) Special Education students classified by the Charter School in their records but not reported as Special Education students on NJDOENET.
3. Fourteen (14) Special Education students were reported on NJDOENET but the Charter School did not have any records to support the Special Education classification of the students.
4. The Charter School provided a list of 50 students that were classified as Special Education in the Charter School's records for the fiscal year ended June 30, 2020. Thirty one (31) of the 50 Special Education students had Individualized Education Plan (IEPs) that were not signed by the participants: Child Study Team, Parents, etc.
5. One (1) student did not have IEP provided for our enrollment audit.

Recommendation

Management explained that the enrollment issues were mostly due to staff turnover and also partly due to the COVID-19 pandemic challenges. However, we recommend that steps be taken to address all of the enrollment issues.

Management Response

Management agrees.

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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 including findings.

There were no findings in the prior year ended June 30, 2019.

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

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Food Service Fund
Numbers For Meals Served and (Over)/Underclaim
Enterprise Fund

Program	Meal Category	Meals Claimed	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch	Paid	1,378	1,378	-	\$ 0.46	\$ -
	Reduced	106	106	-	3.56	-
	Free	3,206	3,206	-	3.56	-
	Total	<u>4,690</u>	<u>4,690</u>	<u>-</u>		<u>-</u>
School Breakfast	Paid	872	872	-	0.31	-
	Reduced	68	68	-	1.54	-
	Free	2,833	2,833	-	1.84	-
	Total	<u>3,773</u>	<u>3,773</u>	<u>-</u>		<u>-</u>
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	636	636	-	0.94	-
	Total	<u>636</u>	<u>636</u>	<u>-</u>		<u>-</u>
Total Net (Over)/Underclaim						<u>\$ -</u>

LEAD 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
Ninth	88	38	38	-	38	-	3	2	1	3	-	28	28	-
Tenth	54	15	15	-	15	-	2	-	2	2	-	18	18	-
Eleventh	85	16	16	-	16	-	1	1	-	1	-	15	15	-
Twelfth	71	16	16	-	16	-	1	1	-	1	-	15	15	-
Total	298	85	85	0	85	0	7	4	3	7	0	76	76	0
Percentage				0.00%		0.00%			42.86%		0.00%			0.00%

LEAD 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
Ninth	88	38	38	-	38	-	2	2	-	2	-	24	24	-
Tenth	54	18	18	-	18	-	1	-	1	1	-	14	14	-
Eleventh	71	16	16	-	16	-	-	-	-	-	-	14	14	-
Twelfth	71	16	16	-	16	-	-	-	-	-	-	14	14	-
Total	284	88	88	0	88	0	3	2	1	3	0	66	66	0
Percentage				0.00%		0.00%			33.33%		0.00%			0.00%

**LEAD 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, 2020

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 9,807
B-4		Due from Other Gov'ts	-
B-4		Accounts Receivable	-
B-4		Investments	-
CAFR		Current Liabilities	
B-4		Less Accounts Payable	-
B-4		Less Accruals	-
B-4		Less Due to Other Funds	(9,807)
B-4		Less Deferred Revenue	-
		Net Cash Resources	- (A)
 <u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	49,085
B-5		Less Depreciation	-
		Adj. Tot. Oper. Exp.	\$ 49,085 (B)
 <u>Average Monthly Operating Expense:</u>			
		B / 10	\$ 4,909 (C)
 <u>Three times monthly Average:</u>			
		3 X C	\$ 14,726 (D)

TOTAL IN BOX A	\$	-
LESS TOTAL IN BOX D	\$	(14,726)
NET	\$	(14,726)

From above:

D is greater than A, cash does not exceed 3 X average monthly operating expenses.

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

Source: Charter School's CAFR

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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

Finding 2020-001 - Several enrollment issues especially as they relate to Special Education.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no findings in the prior year ended June 30, 2019.