

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2020**

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
Robert Treat Academy Charter School, Inc.
Newark, 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 Robert Treat Academy Charter School, Inc., State of New Jersey as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated February 5, 2021.

As part of our audit, we performed procedures required by the Department of Education, State of New Jersey 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 and use of management, the Board of Trustees, others within the School and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Lerch Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Andrew D. Parente

Andrew D. Parente
Public School Accountant
PSA Number CS00224600

Fair Lawn, New Jersey
February 5, 2021

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL 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 School and the records of the various funds under the auspices of the School.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Schedule of Insurance contained in the School's Comprehensive Annual Financial Report ("CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Robert Clark	Board Secretary/ School Business Administrator	\$205,000

There is public employee dishonesty bond with faithful performance coverage for all other employees with coverage of \$250,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any material discrepancies with respect to signatures, certifications and proper itemization.

Payroll Account

The net salaries of all employees of the School were deposited in the payroll account. Employees' payroll deductions and employer's share of fringe benefits were not deposited in the payroll agency account.

Finding – Our audit revealed that a separate payroll agency bank account has not been utilized to account for employee payroll deductions. It was noted that the account was opened prior to June 30, 2020 and the School began utilizing the account in 2020/21 therefore no recommendation is warranted.

Finding – Our audit of employee deductions revealed that a detailed payroll deduction subsidiary ledger was not maintained by deduction type.

Recommendation – A payroll deduction subsidiary ledger be maintained by deduction type and reconciled with the monthly bank reconciliation.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

All payrolls tested were certified by the President of the Board, the Board Secretary/Business Administrator and Chief School Administrator.

Salary withholdings were promptly remitted to the School's payroll service provider for submission to the proper agencies. In addition, the School remitted the health benefit withholdings due to the General Fund in a timely manner.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) 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 included administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.3. As a result of the procedures performed, no expenditure classification errors were noted and no additional testing was deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in fair condition.

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

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

The E.S.E.A. financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and II of the Elementary and Secondary Education Act as amended and reauthorized.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects

The School's Special Projects were approved as listed on Exhibits K-3 and 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.

I.D.E.A.

Separate accounting records were maintained for each approved project. Grant applications approvals and acceptance of grant funds were made by Board resolution.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for District employees who are members of the Teachers Pension and Annuity Fund.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of expenditure charged to the current year's Final Report 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 not 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.

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter, 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 School has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board attorney's opinion should be obtained before a commitment is made.

The results of our examination did indicate that individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been advertising for bids, in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

Finding – Our audit of certain purchases revealed State contract detailed documentation was not available to support amounts charged per vendor invoices for computers awarded through State contract purchasing agreements.

Recommendation – It is recommended that, in addition to awarding contracts to approved state contract vendors, the School obtain documentation to support the per unit amounts charged on the vendor invoices.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal that purchases were made through the use of state contracts.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 Price 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 price meal eligible students during the emergency.

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A 18A:17-34, 19-1 through 19-4.1. Provisions of the FSMC Cost Reimbursable contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$30,000. The operating results provision has been met.

Expenditures are separately recorded as food, labor and other costs. 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 expense 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.

U.S.D.A. Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Non-program foods were purchased, prepared, sold, or offered for sale. The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue AND program and non-program cost of goods sold.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts' noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section B4-B6 of the CAFR.

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Before and After School Program

The financial transactions of the Before and After School Program were maintained as an Enterprise Fund. The financial accounts and records for the program were reviewed on a test-check basis.

Cash disbursement records had supporting documentation and reflected program related expenses.

Finding – Our audit of the Before and After Care Program revealed the following:

- A billing and receivable ledger was not maintained for students attending the program.
- Pre-numbered receipts were not utilized in all instances.
- Deposits were not made in a timely manner.

Recommendation – Billing and receivable ledgers be maintained for all students enrolled in the Before and After Care Program. In addition, pre-numbered receipts be issued for each receipt and deposits of program funds be completed in a timely manner.

Charter School Enrollment System/Charter School Aid

Our audit procedures included a test of enrollment information reported on October 15, 2019, and the last day of school for on-roll, special education, bilingual and low income. We also performed a review of the school's procedures related to its completion for the two required enrollment counts. The information was compared to the School's workpapers with no exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments. The school has adequate written procedures for the recording of student enrollment data.

Facilities and Capital Assets

A review of the capital assets were performed and no exceptions were noted.

Testing for Lead of all Drinking Water in Educational Facilities

The school adhered to all 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 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 Prior Year Findings

In accordance with government standards, our procedures included a review of all prior year recommendations.

Suggestions to Management

- Documentation of payroll service provider payments of employee payroll deductions be obtained to ensure proper remittance to each respective agency.

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>
National School Lunch (Regular Rate)	Paid	12,682	6,333	6,333	-
	Reduced	10,889	5,441	5,441	-
	Free	<u>46,368</u>	<u>23,451</u>	<u>23,451</u>	-
	Total Lunch	<u>69,939</u>	<u>35,225</u>	<u>35,225</u>	-
School Breakfast (Regular)	Paid	4,501	1,557	1,557	
	Reduced	3,690	1,864	1,864	
	Free	<u>13,062</u>	<u>6,715</u>	<u>6,715</u>	-
	Total Breakfast	<u>21,253</u>	<u>10,136</u>	<u>10,136</u>	-
School Snacks (Regular)	Paid	-		-	
	Reduced	-		-	
	Free	<u>37,055</u>	<u>17,081</u>	<u>17,081</u>	-
	Total Snacks	<u>37,055</u>	<u>17,081</u>	<u>17,081</u>	-
		<u>128,247</u>	<u>62,442</u>	<u>62,442</u>	-

**ROBERT TREAT ACADEMY CHARTER SCHOOL, INC.
NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net Cash Resources:

Current Assets

Cash and Cash Equivalents	\$	135,076
Intergovernmental Receivable		6,571
Accounts Receivable		

Current Liabilities

Less:

Accounts Payable		
Unearned Revenue		(9,751)

Net Cash Resources	\$	<u>131,896</u>
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Adjusted Total Operating Expense:

Total Operating Expenses	\$	457,010
Less Depreciation		(6,679)

Adjusted Total Operating Expense	\$	<u>450,331</u>
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<u>Average Monthly Operating Expense:</u>	\$	<u>45,033</u>
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<u>Three Times Monthly Average:</u>	\$	<u>135,099</u>
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Total Net Cash Resources	\$	131,896
Three Times Monthly Average		<u>135,099</u>

Net Cash Resources below Three Month Average Expenses	\$	<u>(3,203)</u>
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Robert Treat Academy Charter School
 Application for Charter School Aid
 Enrollement Count as of October 15, 2019

SCHEDULE OF AUDITED ENROLLEMENTS:

Grades	<u>Submission to DOE Reported on Roll</u>	<u>Reported on Workpapers</u>	<u>Errors</u>	<u>Sample Selected</u>	<u>Verified Signed Registration</u>	<u>Errors</u>	<u>Verified # of Days Enrolled</u>	<u>Errors</u>
K	63	63	-	32	32	-	32	-
1	53	53	-	27	27	-	27	-
2	58	58	-	29	29	-	29	-
3	61	61	-	31	31	-	31	-
4	60	60	-	30	30	-	30	-
5	52	52	-	26	26	-	26	-
6	53	53	-	27	27	-	27	-
7	41	41	-	21	21	-	21	-
8	44	44	-	22	22	-	22	-
Total	485	485	-	245	245	-	245	-

Grades	<u>Verified</u>			<u>Verified</u>		
	<u>Special Ed</u>	<u>Documenation</u>	<u>Errors</u>	<u>Low Income</u>	<u>Documentation</u>	<u>Errors</u>
K	3	3	-	33	33	-
1	2	2	-	31	31	-
2	2	2	-	33	33	-
3	2	2	-	33	33	-
4	2	2	-	23	23	-
5	3	3	-	30	30	-
6	3	3	-	23	23	-
7	2	2	-	23	23	-
8	1	1	-	23	23	-
Total	20	20	-	252	252	-

**Robert Treat Academy Charter School
Application for Charter School Aid
Enrollement Count as of June 30, 2020**

SCHEDULE OF AUDITED ENROLLEMENTS:

Grades	Submission to	Reported	<u>Errors</u>	Sample	Verified	<u>Errors</u>	Verified	<u>Errors</u>
	DOE Reported	on			Signed		# of	
	<u>on Roll</u>	<u>Workpapers</u>		<u>Selected</u>	<u>Registration</u>		<u>Days Enrolled</u>	
K	65	65	-	33	33	-	33	-
1	59	59	-	30	30	-	30	-
2	57	57	-	29	29	-	29	-
3	62	62	-	31	31	-	31	-
4	63	63	-	32	32	-	32	-
5	56	56	-	28	28	-	28	-
6	57	57	-	29	29	-	29	-
7	46	46	-	23	23	-	23	-
8	96	96	-	48	48	-	48	-
Total	561	561	-	283	283	-	283	-

Grades	<u>Special Ed</u>	<u>Verified</u>			<u>Verified</u>		
		<u>Documentation</u>	<u>Errors</u>		<u>Low Income</u>	<u>Documentation</u>	<u>Errors</u>
K	4	4	-		32	32	-
1	4	4	-		31	31	-
2	2	2	-		31	31	-
3	5	5	-		32	32	-
4	5	5	-		31	31	-
5	2	2	-		31	31	-
6	2	2	-		31	31	-
7	3	3	-		31	31	-
8	3	3	-		31	31	-
Total	30	30	-		281	281	-

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

- * It is recommended that a payroll deduction subsidiary ledger be maintained by deduction type and reconciled with the monthly bank reconciliation.

III. School Purchasing Program

It is recommended that in addition to awarding contracts to approved State contract vendors, the school obtain documentation to support the per unit amount charged on the vendor invoices.

IV. Food Service Fund

There are none.

V. Before and After Care

- * It is recommended that a billing and receivable ledger be maintained for all students enrolled in the Before and After Care Program. In addition, pre-numbered receipts be issued for each receipt and deposits of program funds be completed in a timely manner.

VI. Charter School Enrollment System/Charter School Aid

There are none.

VII. Facilities and Capital Assets

There are none.

VIII. Miscellaneous


There are none.


IX. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school and we greatly appreciate the courtesies extended to us.


Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP


Andrew D. Parente
Public School Accountant
Certified Public Accountant