

GREAT OAKS LEGACY CHARTER SCHOOL

**Auditors' Management Report
On
Administrative Findings
Financial, Compliance
And Performance
June 30, 2021**

GREAT OAKS LEGACY CHARTER SCHOOL

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Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Great Oaks Legacy 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 Great Oaks Legacy Charter School in the County of Essex, for the year ended June 30, 2021, and have issued our report thereon dated February 28, 2022.

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 Great Oaks Legacy Charter School Board of Trustees' management 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

February 28, 2022
Newark, New Jersey

Ilori CPA LLC
Certified Public Accountant

KunleIlori

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

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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>
Valerie Coner	School Business Administrator	\$250,000

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 President of the Board of Trustees and the School 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 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.

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.

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.

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.

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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.

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, 2021.

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

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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, 2021 because the Charter School did not charge any eligible employees to federal grants during the fiscal year.

School Purchasing Programs

Contracts and Agreements Requiring Advertising for Bids

Effective July 1, 2020 and thereafter the bid thresholds in accordance with N.J.S.A 18A:18A-3 (as amended) and 18A:39-3 is \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (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 \$19,600 for 2020-2021.

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.

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School Food Service

PUBLIC HEALTH EMERGENCY

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency 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 eligible students during the period of school closures.

During School Year 2020-2021 the public health emergency was still applicable. As a result, School Food Authorities (SFA) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

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 all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 students during the emergency.

The school food service program was not selected as a major federal program. However, it should be noted that the program expenditures exceeded \$100,000 in federal and state support. We therefore inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement over-claims or under-claims. No exceptions noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions noted.

Non-program foods were not purchased, prepared, sold or offered for sale.

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan (PPP) and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was

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subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

Net cash resources did not exceed three months average expenditures.

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

Participation in food program was based on two different levels, the downtown campus is not a community eligible program participant while the South 16th 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 parents or guardians using "Form 318". We reviewed the exception reports generated by the school and noted the following noncompliance:

Observation - Verification Collection Report

The New Jersey State extended the verification collection report (FNS -742) to February 12, 2021, from November 30th, 2020, for submission which the school complied with. No exceptions noted.

Student Body Activities

Our audit revealed some student body activities during the fiscal year ended June 30, 2021 which were accounted for in separate bank accounts. Our review of the record of the Student Body Activities did not disclose any exceptions.

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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 described 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 # 2021-0001*

While there is significant improvement in the attendance of the students, there was a few cases of excessive absences of some students. 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 ten (10) consecutive days. The charter school is also required to notify school district in writing.

Recommendation

We recommend better controls designed to increase students' attendance for instruction by using formal inquiry such as phone calls to the parents or guardians and use of truancy process to mitigate the current condition.

**** Repeat finding.***

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, 2021 met the capitalization threshold of \$2,000 set by the State of New Jersey's Department of Education for Charter Schools.

Observation - Inventory of assets and tracking

The inventory of capital assets was maintained and updated for the year ended June 30, 2021, as required to account for new acquisitions and disposals with their related depreciation expense.

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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* issued by the Comptroller General of the United States, our procedures included a review of all prior year recommendations including findings in relation to the corrective action plan undertaken by the Charter School. Corrective Action Plan was implemented except for the similar occurrences in the enrollment.

There were no audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) during the 2020-2021 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
Number of Meals Served and (Over)/Underclaim
Enterprise Fund

Program	Meal Category	Meals Claimed	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch	Paid	-	-	-	-	\$ -
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	SOS	37,694	37,694	-	3.86	-
	Total	37,694	37,694	-		-
School Breakfast	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	SOS	37,830	37,830	-	2.26	-
	Total	37,830	37,830	-		-
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	Total	-	-	-		-
	Total Net (Over)/Underclaim					\$ -

GREAT OAKS LEGACY CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2020

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	25	25	23	2	25	6	0	0	0	0	0	0	0	0
KINDER	78	78	75	3	78	7	2	2	0	2	0	38	37	1
Grade 1	78	78	77	1	78	3	2	2	0	2	1	39	39	0
Grade 2	79	79	78	1	79	5	6	6	0	6	0	38	37	1
Grade 3	80	80	77	3	80	6	9	9	0	9	2	41	40	1
Grade 4	39	39	37	2	39	4	6	6	0	6	3	0	0	0
Grade 5	93	93	93	0	93	5	9	9	0	9	3	29	29	0
Grade 6	115	115	113	2	115	3	11	11	0	11	1	37	35	2
Grade 7	78	78	75	3	78	4	7	7	0	7	1	39	38	1
Grade 8	64	64	60	4	64	4	10	10	0	10	1	28	28	0
Grade 9	55	55	45	10	55	2	13	13	0	13	2	55	55	0
Grade 10	50	50	47	3	50	3	7	7	0	7	0	50	50	0
Grade 11	47	47	46	1	47	2	9	7	2	9	0	48	46	2
Grade 12	47	47	47	0	47	4	0	0	0	0	0	46	46	0
TOTAL	928	928	893	35	928	58	91	89	2	91	14	488	480	8

PERCENTAGE

3.77%

6.25%

2.20%

15.38%

1.64%

GREAT OAKS LEGACY CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF JUNE 30, 2021

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	25	25	23	2	25	6	0	0	0	0	0	0	0	0
KINDER	78	78	75	3	78	7	1	1	0	1	0	39	0	0
Grade 1	77	77	76	1	77	4	3	3	0	3	0	39	38	1
Grade 2	79	79	78	1	79	5	5	5	0	5	3	38	36	2
Grade 3	81	81	78	3	81	5	9	9	0	9	0	41	40	1
Grade 4	38	38	36	2	38	4	6	6	0	6	2	0	0	0
Grade 5	93	93	93	0	93	5	9	9	0	9	3	29	29	0
Grade 6	115	115	113	2	115	3	11	11	0	11	1	37	35	2
Grade 7	78	78	75	3	78	3	8	8	0	8	1	39	38	1
Grade 8	64	64	60	4	64	5	9	9	0	9	1	28	28	0
Grade 9	54	54	43	11	54	3	13	13	0	13	3	54	54	0
Grade 10	51	51	48	3	51	2	7	7	0	7	0	51	50	1
Grade 11	48	48	47	1	48	2	8	6	2	8	0	47	46	1
Grade 12	46	46	46	0	46	3	1	1	0	1	0	47	47	0
TOTAL	927	927	891	36	927	57	90	88	2	90	14	489	441	9

PERCENTAGE

3.88%

6.15%

2.22%

15.56%

1.84%

**GREAT OAKS LEGACY 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, 2021

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR *		Current Assets
B-4	\$ 106,149	Cash & Cash Equiv.
B-4	-	Due from Other Gov'ts
B-4	118,095	Accounts Receivable
B-4	-	Investments
CAFR		Current Liabilities
B-4	-	Less Accounts Payable
B-4	-	Less Accruals
B-4	(249,703)	Less Due to Other Funds
B-4	-	Less Deferred Revenue
	(25,459)	Net Cash Resources
	(25,459)	(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	300,396	Tot. Operating Exp.
B-5	-	Less Depreciation
	300,396	Adj. Tot. Oper. Exp.
	\$ 300,396	(B)
 <u>Average Monthly Operating Expense:</u>		
	30,040	B / 10
	\$ 30,040	(C)
 <u>Three times monthly Average:</u>		
	90,119	3 X C
	\$ 90,119	(D)

TOTAL IN BOX A	\$ (25,459)
LESS TOTAL IN BOX D	\$ (90,119)
NET	(115,578)

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

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

We recommend better controls designed to increase students' attendance for instruction by using formal inquiry such as phone calls to the parents or guardians and use of truancy process to mitigate the current condition.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year's recommendations and corrective action was taken on all prior year findings except for recommendation on enrollment as specified above.