

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2022**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

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June 30, 2022

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Independent Auditor's Report

To the Board of Trustees of
North Star Academy Charter School of Newark:

Report on the Financial Statements

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 North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2022, and have issued our report thereon dated February 6, 2023.

As part of our audit, we performed procedures required by the New Jersey Department of Education and the findings as results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of North Star Academy Charter School of Newark's management, the Board of Trustees and the New Jersey Department of Education. However, this report is a matter of public records and its distribution is not limited.

AAFCPAs, Inc.

Westborough, Massachusetts
February 6, 2023

John R. Buckley, C.P.A.
Public School Accountant
PSA #20CS00271800

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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 in Exhibit J-20, Insurance Schedule contained in the Charter School's Annual Comprehensive Financial Report (ACFR).

Official Bonds

<u>Name</u>	<u>Position</u>
Raj Taruvai	Director of Accounting

There are the following bonds:

- Faithful Performance bond in the amount of \$50,000.
- Money and securities in the amount of \$50,000.
- Fidelity bond in the name of a related party, Uncommon Schools, Inc., which extends to the Charter School in the amount of \$1,000,000.

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.

Payroll Account

The net salaries of all employees of the Board 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 Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the General Fund.

Payrolls were delivered to the Secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2022, for proper classification of orders for accounts payable. No discrepancies were noted.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A23A-23A-16(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 state 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. 6A23A-8.3*. As a result of the procedures performed, a transaction error rate of zero percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board's Secretary Records

Our review of the financial and accounting records maintained by the Board Secretary disclose the following item:

Finding 2022-02:

Within 60 days of the December month-end, or later upon approval of the executive county superintendent, every school district's board of education and charter school or renaissance school project board of trustees shall provide a copy of the school business administrator/board secretary's and treasurer's (where the BOE/BOT has elected to maintain the position) monthly financial reports to the executive county superintendent pursuant to *N.J.A.C. 6A:23A-16.10(c)(4)(iv)*. (6A:23A-16.10 Budgetary controls and over expenditure of funds). These reports were submitted after the deadline.

Recommendation:

The Charter School should submit the required reports timely.

Management Response:

Efforts will be made to required reports timely.

SCHOOL PURCHASING PROGRAMS

Student Body Activities

Our review of the student activities funds did not disclose any new exceptions during the year.

Contracts and Agreements Requiring Advertisements for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general are available on the NJ Local Agency Procurement Laws webpage:<http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is \$20,200 for 2021-2022.

The Charter School's 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.

SCHOOL PURCHASING PROGRAMS (Continued)

Contracts and Agreements Requiring Advertisements for Bids (Continued)

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*.

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

SCHEDULE OF AUDITED ENROLLMENTS

Enrollment Counts and Submissions to the Department

Our audit procedures included a test of information reported on the October 15, 2020, and the last day of school for on-roll, special education, English Language Learners (ELL), and low income. We also performed a review of the Charter School's procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data.

Finding 2022-01

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) enrollment, we noted that the number of students classified as LEP, SPED and FRLP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree.

Recommendation:

Management should keep supporting documentation to ensure all students are correctly entered in the CHE.

Management Response:

Efforts will be made to review and maintain the information to support numbers in the CHE reports.

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. Governor Murphy's emergency declaration ended on June 4, 2021; however, the United States Department of Agriculture's Federal waiver continued through June 30, 2022. Food Service Agencies operated under this Federal waiver.

As a result, SFAs were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO). SFAs could also choose to participate in the National School Lunch Program utilizing standard counting and claiming practices. 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. No exception noted.

SCHEDULE OF AUDITED ENROLLMENTS (Continued)

School Food Service (Continued)

Public Health Emergency (Continued)

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 Charter School food service program was selected as a major Federal program. Accordingly, we inquired of the Charter School management, or appropriate Charter School food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of Charter School management as to whether the SFA's expenditures of Charter School food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

There were no non-program food 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 Food Service Management Company (FSMC) received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

The financial transactions and statistical records of the Charter School food service fund were reviewed. The financial accounts, meal count records were reviewed on a test-check basis. Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

The Charter School utilizes a 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's Cost Reimbursable Fixed Price or Non-Competitive Emergency Procurement contract 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. The cash disbursement 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 Charter School food service.

The SFA recorded and maintained separate supporting documentation for additional costs (food, supplies, transportation, etc.) applicable to the implementation of the COVID-19 meal service under SSO program requirements.

Net cash resources did exceed three months average expenditures.

Timesheets were reviewed, and labor costs verified. Payroll records were maintained on all Charter School food service employees authorized by the Board of Trustees. No exceptions were noted.

SCHEDULE OF AUDITED ENROLLMENTS (Continued)

School Food Service (Continued)

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.

We note that due to the state emergency declared due to COVID-19, all students under 18 were eligible to participate in the SSO program in fiscal year 2022. The Charter School continued to collect applications for free and reduced price meals as best practice. 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.

There was not a USDA Food Distribution Program.

Exhibits reflecting Child Nutrition Operations are included in Section G of the ACFR.

Teachers' Pension and Annuity Fund (T.P.A.F.) Reimbursement

Our audit procedures included a test of reimbursement forms filed with the Department of Education for Charter School employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

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

The amount of the expenditure charged to the current year's Final Reports for all Federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) 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/or state that no exceptions were noted.

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 ACFR. This section of the ACFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized. No exceptions were noted.

Student Body Activities

During our review of the student activity funds, there were no items noted.

Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Exhibit E-1 located in the ACFR.

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 ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects.

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 FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year findings.

Finding 2022-01

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) enrollment, we noted that the number of students classified as LEP, SPED and FRLP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree.

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) students, we noted that the number of students classified per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports. This finding is still in process during the fiscal year 2022 audit.

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.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2021**

Grades	Submission to DOE reported On Roll	Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	536	268	268	0	268	0	23	23	0	23	0	467	467	0
One	545	273	273	0	273	0	33	33	0	33	0	480	480	0
Two	548	274	274	0	274	0	41	41	0	41	0	476	476	0
Three	553	277	277	0	277	0	48	48	0	48	0	470	470	0
Four	557	279	279	0	279	0	70	70	0	70	0	485	485	0
Five	548	274	274	0	274	0	72	72	0	72	0	469	469	0
Six	551	276	276	0	276	0	62	62	0	62	0	486	486	0
Seven	543	272	272	0	272	0	73	73	0	73	0	473	473	0
Eight	460	230	230	0	230	0	52	52	0	52	0	394	394	0
Nine	472	236	236	0	236	0	66	66	0	66	0	391	391	0
Ten	403	202	202	0	202	0	54	54	0	54	0	315	315	0
Eleven	351	176	176	0	176	0	64	64	0	64	0	275	275	0
Twelve	258	129	129	0	129	0	34	34	0	34	0	200	200	0
Total	6325	3166	3166	0	3166	0	692	692	0	692	0	5381	5381	0
Percentage				0%		0%			0%		0%			0%

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY OF SCHOOL**

Grades	Submission to DOE reported On Roll	Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	565	283	283	0	283	0	23	23	0	23	0	467	467	0
One	554	277	277	0	277	0	33	33	0	33	0	480	480	0
Two	553	277	277	0	277	0	41	41	0	41	0	475	475	0
Three	568	284	284	0	284	0	48	48	0	48	0	469	469	0
Four	571	286	286	0	286	0	70	70	0	70	0	485	485	0
Five	562	281	281	0	281	0	72	72	0	72	0	469	469	0
Six	564	282	282	0	282	0	62	62	0	62	0	486	486	0
Seven	558	279	279	0	279	0	73	73	0	73	0	473	473	0
Eight	469	235	235	0	235	0	52	52	0	52	0	394	394	0
Nine	477	239	239	0	239	0	66	66	0	66	0	391	391	0
Ten	418	209	209	0	209	0	54	54	0	54	0	315	315	0
Eleven	354	177	177	0	177	0	63	63	0	63	0	275	275	0
Twelve	257	129	129	0	129	0	34	34	0	34	0	199	199	0
Total	6470	3238	3238	0	3238	0	691	691	0	691	0	5378	5378	0
Percentage				0%		0%			0%		0%			0%

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL/STATE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2022**

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	-	-	-	-	0.47	-
National School Lunch (Regular Rate)	Reduced	-	-	-	-	3.385	-
National School Lunch (Regular Rate)	Free	607,213	607,213	607,213	-	3.785	- *
	TOTAL	607,213	607,213	607,213			-
School Breakfast (Regular Rate)	Paid	-	-	-	-	0.33	-
	Reduced	-	-	-	-	2.05	-
	Free	413,302	413,302	413,302	-	2.35	- *
	TOTAL	413,302	413,302	413,302			-
After School Snacks	Paid	-	-	-	-	0.09	-
	Reduced	-	-	-	-	0.50	-
	Free (Area Eligible)	37,981	37,981	37,981	-	1.00	-
	TOTAL	37,981	37,981	37,981			-

* The difference between meals tested and meals verified did not have an effect on total dollars claimed.

NET CASH RESOURCE SCHEDULE

**Net Cash Resources did/did not exceed Three Months of Expenditures
Proprietary Funds - Food Service
Fiscal Year Ended June 30, 2022**

		Food Service B - 4/5		
<u>Net Cash Resources:</u>				
ACFR	*	Current Assets		
B-4		Cash	\$ 1,567,302	
B-4		Prepaid Expenses	1,595	
B-4		Accounts Receivable	135,532	
ACFR		Current Liabilities		
B-4		Less - Accounts Payable and Accured Expenses	<u>(350,210)</u>	
		Net Cash Resources	<u>\$ 1,352,624</u>	(A)
<u>Net Adj. Total Operating Expense:</u>				
B-5		Tot. Operating Exp.	<u>\$ 4,061,551</u>	
		Adj. Tot. Oper. Exp.	<u>\$ 4,061,551</u>	(B)
<u>Average Monthly Operating Expense:</u>				
		B / 10	<u>\$ 406,155</u>	(C)
<u>Three Times Monthly Average:</u>				
		3 X C	<u>\$ 1,218,465</u>	(D)
TOTAL IN BOX A			\$ 1,352,624	
LESS TOTAL IN BOX D			<u>(1,218,465)</u>	
NET			<u>\$ 134,159</u>	

From above:

A is greater than D, cash exceeded 3 X average monthly operating expenses.

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

SOURCE - USDA resource management comprehensive review form

AUDIT RECOMMENDATIONS

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Recommendation:

Management should ensure all supporting documentation is kept on file.

3. School Purchasing Program

None

4. School Food Service

Net cash resources exceeded three months average expenditures.

5. Student Body Activities

Not applicable

6. Application for State and School Aid

None

7. Pupil Transportation

Not applicable

8. Facilities and Capital Assets

Not applicable

9. Miscellaneous

Not applicable

10. Status of Prior Year's Findings and Recommendations

Management should keep supporting documentation to ensure all students are correctly entered in the CHE.