

**QUEEN CITY ACADEMY CHARTER SCHOOL**

**AUDITOR'S MANAGEMENT REPORT**

**FISCAL YEAR ENDED JUNE 30, 2022**

**Barre & Company LLC**  
**Certified Public Accountants & Consultants**

QUEEN CITY ACADEMY CHARTER SCHOOL

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE

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**Report of Independent Auditors**

Honorable President and  
Members of the Board of Trustees  
Queen City Academy Charter School  
County of Union, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Queen City Academy Charter School in the County of Union for the year ended June 30, 2022, and have issued our report thereon dated March 15, 2023.

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 Queen City Academy 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.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-O1181  
Barre & Company LLC, CPAs

March 15, 2023

## **Administrative Findings – Financial, Compliance and Performance**

### **Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, 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 (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)**

Christopher Lessard	School Business Administrator	\$160,000.00
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There is a Public Employees' Faithful Performance Blanket Position Bond with the Fortitude Insurance Company covering all other employees with multiple coverage of \$25,000.

#### **P.L.2020,c.44**

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A.18A:16-13.3 (Chapter 44) submitted for the year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by charter school.

The charter school data certification was not completed by the chief school administrator. The charter school Chapter 44 data was submitted timely.

If the data certification date reflects submission date later than 60 days after the end of the enrollment period: The original data submission did require significant revision due to errors or omissions on the part of the school.

#### **Tuition Charges**

A review of 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.

## **Administrative Findings – Financial, Compliance and Performance**

### **Financial Planning, Accounting and Reporting (Continued)**

#### **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 designee in the Charter School 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 withholding due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

#### **Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted during our review.

#### **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 the 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:23A-8.3*. As a result of the procedures performed, a transaction error rate of 1.90% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

##### **A. General Classification Findings**

No exceptions or discrepancies were noted in the general classification of expenditures.

##### **B. Administrative Classification Findings**

No exceptions or discrepancies were noted in the administrative classification of expenditures document, to assure accuracy and completeness of the Charter School questionnaire.

#### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the business office disclosed no exceptions or discrepancies.

#### **Treasurer's Records**

There were no items noted during our review of the records of the Treasurer.

## **Administrative Findings – Financial, Compliance and Performance**

### **Financial Planning, Accounting and Reporting (Continued)**

#### Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

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

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and/or questionable cost.

#### Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated the 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.

The study of compliance for the special projects did not indicate any areas of noncompliance.

#### T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but Charter Schools can print out the DOENET screen for an auditor) filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

### **School Purchasing Programs**

#### Contracts and Agreements Requiring Advertisement 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 is available on the NJ Local Agency Procurement Laws webpage:  
<http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

Current statute is posted on the New Jersey Legislature (<http://www.njleg.state.nj.us/>) website.

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A. 18A:18A-3 and 4*.

## **Administrative Findings – Financial, Compliance and Performance**

### **School Purchasing Programs (Continued)**

#### **Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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 effective 2021-22.

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 my examination, I 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 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:18A-5*.

### **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 Free and Reduced Price eligible students during the period of school closures. Governor Murphy's emergency declaration ended 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, School Food Authorities (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.

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.

## **Administrative Findings – Financial, Compliance and Performance**

### **School Food Service (Continued)**

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we 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 were 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 were noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (ACFR 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.

The financial transactions and statistical records of the school food service fund 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.

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 months 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. 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 that Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.



## **Administrative Findings – Financial, Compliance and Performance**

### **School Food Service (Continued)**

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 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.

USDA 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.

The school district did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

No Exceptions Noted.

### **Student Body Activities**

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

### **Enrollment Counts and Submissions to the Department**

Our audit procedures included a test of enrollment information reported on October 15, 2021 and the last day of school for on-roll, special education, bilingual and low-income.

### **Facilities and Capital Assets**

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

### **Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings.

### **Acknowledgment**

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.

SCHEDULE OF AUDITED ENROLLMENTS

**QUEEN CITY ACADEMY CHARTER SCHOOL**  
**APPLICATION FOR CHARTER SCHOOL AID**  
**ENROLLMENT COUNT AS OF OCTOBER 15, 2021**

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	50% Verification Required 10/15/2021	Verified Signed Registration Forms	Verified # of Days Enrolled	Errors	0.00%	Submission to DOE Reported Special Ed /Bilingual	Verified Documentation	Errors	0.00%	Verified # of Days Service Provided	Low Income	Verified Documentation	Errors	0.00%
Kindergarten	35	35	35	35	35	-		-	-	-		-	30	30	-	
One	33	33	33	33	33	1		1	1	1		1	25	25	1	
Two	33	33	33	33	33	1		1	1	1		1	28	28	1	
Three	33	33	33	33	33	3		3	3	3		3	25	25	3	
Four	30	30	30	30	30	4		4	4	4		4	25	25	4	
Five	36	36	36	36	36	4		4	4	4		4	16	16	4	
Six	35	35	35	35	35	4		4	4	4		4	23	23	4	
Seven	37	37	37	37	37	5		5	5	5		5	21	21	5	
Eight	32	32	32	32	32	4		4	4	4		4	25	25	4	
Nine	103	103	103	103	103	-		-	-	-		-	-	-	-	
Ten	88	88	88	88	88	-		-	-	-		-	-	-	-	
Eleven	95	95	95	95	95	-		-	-	-		-	-	-	-	
Twelve	97	97	97	97	97	-		-	-	-		-	-	-	-	
Totals	687	687	687	687	687	-		26	26	26		28	218	218	28	
Percentage			0.00%		0.00%			0.00%		0.00%		0.00%			0.00%	

SCHEDULE OF AUDITED ENROLLMENTS

**QUEEN CITY ACADEMY CHARTER SCHOOL**  
**APPLICATION FOR CHARTER SCHOOL AID**  
**ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2022**

Grades	Submission to DOE Reported on Roll		50% Verification Required 6/30/22		Verified Signed Registration Forms		Verified # of Days Enrolled		Submission to DOE Reported Special Ed /Bilingual		Verified # of Days Service Provided		Low Income		Verified Documentation		Errors	Percentage	
	Submitted	Errors	Required	Errors	Signed	Errors	Days	Errors	Special Ed	Bilingual	Days	Errors	Income	Documentation	Documentation	Errors			
Kindergarten	35	35	35	35	35	35	35	35	-	-	-	-	30	30	-	-	-	-	
One	33	33	33	33	33	33	33	33	1	1	1	1	25	25	1	1	25	25	
Two	33	33	33	33	33	33	33	33	1	1	1	1	28	28	1	1	28	28	
Three	33	33	33	33	33	33	33	33	3	3	3	3	25	25	3	3	25	25	
Four	30	30	30	30	30	30	30	30	4	4	4	4	25	25	4	4	25	25	
Five	36	36	36	36	36	36	36	36	4	4	4	4	16	16	4	4	16	16	
Six	35	35	35	35	35	35	35	35	4	4	4	4	23	23	4	4	23	23	
Seven	37	37	37	37	37	37	37	37	5	5	5	5	21	21	5	5	21	21	
Eight	32	32	32	32	32	32	32	32	4	4	4	4	25	25	4	4	25	25	
Nine	103	103	103	103	103	103	103	103	-	-	-	-	-	-	-	-	-	-	
Ten	88	88	88	88	88	88	88	88	-	-	-	-	-	-	-	-	-	-	
Eleven	95	95	95	95	95	95	95	95	-	-	-	-	-	-	-	-	-	-	
Twelve	97	97	97	97	97	97	97	97	-	-	-	-	-	-	-	-	-	-	
<b>Totals</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>687</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>26</b>	<b>218</b>	<b>218</b>	<b>26</b>	<b>218</b>	<b>-</b>	<b>0.00%</b>	
<b>Percentage</b>																			<b>0.00%</b>

## EXCESS SURPLUS CALCULATION

*N.J.S.A. 18A:7F-7* requires that excess surplus for regular school districts and charter schools/renaissance school projects is calculated using 2% for June 30, 2005 and thereafter. Due to the financial impacts of the public health emergency, P.L.2021, c.35, approved March 15, 2021 authorizes school districts other than a county vocational school districts to maintain surplus up to the greater of four percent or \$250,000 for 2020-2021 and 2021-2022 school years. Pursuant to P.L. 2007, c.62, the minimum is \$250,000, effective with the year ending June 30, 2007.

**Charter schools are not subject to the excess surplus limitations. Accordingly, charter school auditors are not required to document the calculation of excess surplus.**

### CALCULATION:

Complete Sections 1 and 2. If the total of Section 2 is **greater** than the applicable portion of Section 1, enter the difference in Section 3. If the difference results in a negative, enter a zero in Section 3. The applicable sections are to be submitted as part of the Auditor's Management Report.

Note that beginning with the excess surplus calculation for the year ending June 30, 2012 the transfer to food services is not an allowable adjustment (increase) to total general fund expenditures.

### **School Bus Advertising Revenue:**

Districts were provided guidance to budget and recognize current year school bus advertising revenue on line 315, 10-1992. Under *N.J.S.A. 18A:7F-7.1* and *N.J.S.A. 18A:39-31*, an adjustment to the audited excess surplus calculation is permitted in the year revenue earned under a school bus advertising contract is recognized by the district. Statute doesn't state that the district is limited to the amount not used to reduce fuel costs; accordingly, the full amount may be used as an adjustment to excess surplus in the year of recognition/receipt only. Refer to illustration on page III-4.39 – Line (J3).

*N.J.S.A. 18A:39-31* requires that 50 percent (50%) of recognized school bus advertising revenue be used to offset the fuel costs of providing pupil transportation services. Of the total revenue recognized, any portion of the 50% required by statute to be used as an offset to fuel costs in the year of revenue recognition, but not used for that purpose must be established as a restricted fund balance at year end. Report the restricted year end balances on Audsum lines 90028 (Bus Advertising Revenue Reserved for Fuel Costs – Current Year Adjustment), and Audsum 90029 (Bus Advertising Revenue Reserved for Fuel Costs – Prior Year Adjustment). Include the amount(s) as adjustments in the "Detail of Other Restricted Fund Balance" calculation (refer to illustration on page III-4.34 of this Audit Program). Note that the school district budget software will preload these amounts from Audsum onto the Recapitulation of Balances Line 15 in the columns for the respective years. The prior year balance in this reserve (Audsum line 90029) was budgeted in the subsequent year's budget (2021-2022) and the current year balance in this reserve (Audsum line 90028) must be budgeted in the 2<sup>nd</sup> subsequent year's budget (2022-2023). An edit will verify that the amounts on lines 90028 and 90029 are budgeted as a revenue source. Line 90028 will preload onto Line D-2 of the budgetary calculation of Additional Excess Surplus report in the 2022-2023 budget software.

In the recapitulation of fund balance reported at the end of the Budgetary Comparison Schedule (Exhibit C-1), the reserve for each of two possible years should be reported separately. Separate lines are provided in the Audsum data collection (line 90028 for current year and line 90029 for subsequent year) for each applicable year's reserve. GASBS No. 54 requires the further categorization of the bus advertising reserve for fuel costs account balance on the Governmental Funds Balance Sheet (Exhibit B-1). Based upon the withdrawal requirements, the bus advertising reserve for fuel costs has significant externally imposed restrictions on its use and should be categorized as "Restricted" fund balance. The same categorization is applicable to the General Fund Budgetary Comparison Schedule (Exhibit C-1).

**QUEEN CITY ACADEMY CHARTER SCHOOL  
AUDIT RECOMMENDATIONS SUMMARY**  
For the Fiscal Year ended June 30, 2022

**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/Charter School Enrollment System/Charter School Aid  
NONE
7. Pupil Transportation  
NONE
8. Facilities and Capital Assets  
NONE
9. Miscellaneous  
NONE
10. Status of Prior Year Audit Findings/Recommendations  
NONE