

QUEEN CITY ACADEMY CHARTER SCHOOL
AUDITOR'S MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2023

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, 2023, and have issued our report thereon dated December 5, 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

December 5, 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)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Christopher Lessard	School Business Administrator	\$200,000.00

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 \$22,400 effective July 1, 2023.

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

School Food Authorities (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 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.

Administrative Findings – Financial, Compliance and Performance

School Food Service (Continued)

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 and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

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.

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 or SFSP program requirements.

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.

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.

Administrative Findings – Financial, Compliance and Performance

School Food Service (Continued)

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.

Scholarship Fund Activities

During our review of the scholarship 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, 2022 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, 2022**

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	50% Verification Required 10/15/2022	Verified Signed Registration Forms	Errors	Verified # of Days Enrolled	Errors	Submission to DOE Reported Special Ed /Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	38	38		19	19		19		-	-		-		12	12	
One	37	37		19	19		19		2	2		2		13	13	
Two	38	38		19	19		19		1	1		1		15	15	
Three	37	37		19	19		19		1	1		1		14	14	
Four	38	38		19	19		19		1	1		1		14	14	
Five	35	35		18	18		18		1	1		1		13	13	
Six	37	37		19	19		19		3	3		3		17	17	
Seven	36	36		18	18		18		1	1		1		12	12	
Eight	37	37		19	19		19		2	2		2		15	15	
Nine	47	47		24	24		24		6	6		6		12	12	
Ten	32	32		16	16		16		2	2		2		8	8	
Totals	412	412	-	209	209	-	209	-	20	20	-	20	-	145	145	-
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 2023

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	50% Verification Required 6/30/23	Verified Signed Registration Forms	Errors	Verified # of Days Enrolled	Errors	Submission to DOE Reported Special Ed /Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	37	37		19	19		19		-	-		-		12	12	
One	35	35		18	18		18		2	2		2		13	13	
Two	38	38		19	19		19		1	1		1		15	15	
Three	36	36		18	18		18		1	1		1		14	14	
Four	38	38		19	19		19		1	1		1		14	14	
Five	33	33		17	17		17		1	1		1		13	13	
Six	35	35		18	18		18		3	3		3		17	17	
Seven	36	36		18	18		18		1	1		1		12	12	
Eight	38	38		19	19		19		2	2		2		15	15	
Nine	33	33		17	17		17		6	6		6		12	12	
Ten	27	27		14	14		14		2	2		2		8	8	
Totals	386	386	-	196	196	-	196	-	20	20	-	20	-	145	145	-
Percentage			0.00%			0.00%		0.00%			0.00%		0.00%			0.00%

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. Pursuant to P.L. 2007, c.62, the minimum is \$250,000, effective with the year ending June 30, 2007.

Charter schools and renaissance school projects are not subject to the excess surplus limitations. Accordingly, charter school and renaissance school project 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 the excess surplus calculation 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 (2022-2023) and the current year balance in this reserve (Audsum line 90028) must be budgeted in the 2nd subsequent year's budget (2023-2024). 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 2023-2024 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, 2023

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. Scholarship Fund Activities

NONE

7. Application for State School Aid/Charter School Enrollment System/Charter School Aid

NONE

8. Pupil Transportation

NONE

9. Facilities and Capital Assets

NONE

10. Miscellaneous

NONE

11. Status of Prior Year Audit Findings/Recommendations

NONE