

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

GREAT OAKS LEGACY CHARTER SCHOOL

JUNE 30, 2017

ILORI CPA LLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**INDEPENDENT AUDITOR’S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
GREAT OAKS LEGACY CHARTER SCHOOL
COUNTY OF ESSEX**

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**ILORI CPA LLC
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS
Member of AICPA, NJCPA & MACPA**

**24 COMMERCE STREET SUITE 1427
NEWARK, NEW JERSEY 07102
Telephone (973)-621-5780
Fax (973) 404- 8858**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members of
Board of Trustees
Great Oaks Legacy Charter School
County of Essex, 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 Great Oaks Legacy Charter School (the "Charter School") in the County of Essex in the State of New Jersey for the year ended June 30, 2017, and have issued our report thereon, dated November 24, 2017.

As part of our audit, we performed procedures required by the State of 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 School's management, Board of Trustees 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

KunleIlori

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

ILORI CPA LLC

Newark, New Jersey
November 24, 2017

**GREAT OAKS LEGACY CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF ESSEX**

Scope of Audit

The audit covered the financial transactions of 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. Additional items discovered during our audit are also stated in this report.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the charter school's CAFR.

Official Bonds (N.J.S.A 18A:17-26, 18A:17-32)

<u>Position</u>	<u>Amount</u>
School Business Administrator	\$50,000

Our review of insurance policies disclosed that the Charter School maintains fidelity insurance on officers in certain financial position such as the School Business Administrator and the Board Treasurer.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the school and all proceeds for 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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Financial Planning, Accounting and Reporting – Continued

Payroll Account

While the net salaries of all employees of the Charter School were deposited in the Payroll account, all payrolls were approved by the designee in the charter school and were certified by the President of the Board and the Board Secretary/ 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 purchase orders was made as of June 30, 2017 for proper classification of purchase orders as Reserve for Encumbrances and Accounts Payable, disclosed no instances of non compliance with laws and regulations.

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.

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ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
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Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the N.J.A.C. 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. As a result of the procedures performed, a transaction error rate of 0.0% 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.

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.

**GREAT OAKS LEGACY CHARTER SCHOOL
ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE
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Financial Planning, Accounting, and Reporting

Treasurer's Records

The school does not maintain position of treasurer school of moneys; rather the school business administrator handle all administrative issues, and cash transactions while the accountant record all transactions and prepare bank account reconciliations.

Finding:

As a requirement by the New Jersey Department of Education rules and regulations, all public schools should have their purchase orders signed by vendors for validity. There were a few exceptions noted where the vendors failed to sign off the purchase orders.

Recommendation:

We recommend that the business office ensure that vendors sign a copy of purchase order prior to issuing the check for the transactions.

SCHOOL FOOD SERVICE

The school food service program was not selected as a major federal and State program. However, the program expenditures exceeded \$100,000 in federal and state support. Accordingly, we inquired of school management whether the school food aid reimbursement was overclaimed. No exceptions noted

Furthermore, 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. No exceptions noted.

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 as computed in the attached schedule. 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 or certified in a timely manner. No exceptions noted.

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SCHOOL FOOD SERVICE - CONTINUED

Participation in food program was based on two different levels, the downtown campus is not 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.

Noteworthy Observation

We observed that the school is in process of automating the food program applications to enhance the efficiency and effectiveness of the program. If accomplished with relevant embedded controls and compliance, it will strengthen the control environment and increase the efficiency.

STUDENT BODY ACTIVITIES

No exceptions were noted during our review of student activity funds.

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

The E.S.E.A/N.C.L.B. 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 Act as amended and reauthorized. The study of the compliance for E.S.E.A.N/ N.C.L.B indicated the following areas of noncompliance and /or questionable costs.

Other Special Federal and/or State Projects

The charter school's Special Grants were approved as listed on Schedules A and B located in the CAFR. 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 special projects. The review of Special projects for compliance by the oversight agency uncovered instances of non-compliance as indicated below. Our procedures require us to determine the extent and the impact of such monitoring reports on our audit. Based on our procedures, we noted no exceptions.

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On Behalf Payments

FICA Reimbursement

Our audit procedures included a test of the biweekly FICA reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity (TPAF) Fund. No exceptions were noted in the process.

TPAF Reimbursement to the State for Federal Salary Expenditures

Charter school is required to accrue a liability for the TPAF Pension and Social Security related to teacher's salaries charged to federal grants with the objective to reimburse the state within 60 - 90days after the year end. We noted no exceptions relating the procedures.

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 website <http://www.state.nj.us/njded/pscl/index.html>.

Effective July 1, 2010 and thereafter the bid in accordance with N.J.S.A 18A:18A-3 (as amended) and 18A:39-3 are \$40,000 (with a qualified purchasing agent) and \$29,000 (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 currently \$18,800.

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 questions arise 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.

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price thereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement."

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

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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 describe 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

During the enrollment audit, we noted that enrollment records show significant improvement, however, we noted the following exceptions:

- There were a few students with misspelled names on the state record.
- In reviewing the attendance records, we noted significant unexcused 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 10 consecutive days. The charter school is also required to notify school district in writing.

Recommendation

The Charter School should exercise better control over student’s files by periodically reviewing the files with check list for completeness. In addition, we recommend better controls designed to bring the students to the school such as formal inquiry as well as phone calls to the parent or guardian and use of truancy process to mitigate the current condition.

Finding

During the audit, we noted five (5) special education students whose Individualized Education Plan (IEP) have expired and not updated for the academic year.

Recommendation

The special education department of the school should periodically review all special education student files for completeness and accuracy.

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Facilities and Capital Assets

Capital Assets

Inventory of assets and tracking

Observation:

The inventory of capital assets was maintained and updated for the year ended June 30, 2017 as required to account for new acquisition and disposal with their related depreciation expense.

Follow-up on Prior Year Findings

In accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, our procedures include review of prior year findings and recommendations in relation to the corrective action plan undertaken by the School. Corrective Action Plan was implemented except for the similar occurrences in the enrollment and food programs.

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 our audit team.

GREAT OAKS LEGACY CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2016

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	22	22	21	1	10	12	0	0	0	0	0	0	0	0
KINDER	39	40	38	2	26	14	3	2	1	3	0	1	1	0
Grade 1	41	41	38	3	29	12	1	1	0	1	0	0	0	0
Grade 2	43	43	41	2	28	15	4	3	1	4	0	1	1	0
Grade 3	45	45	43	2	35	10	7	7	0	6	1	0	0	0
Grade 4	40	40	39	1	34	6	3	3	0	3	0	1	1	0
Grade 5	41	41	40	1	38	3	4	3	1	3	1	1	1	0
Grade 6	80	80	78	2	69	11	4	4	0	4	0	42	32	10
Grade 7	80	80	79	1	67	13	13	11	2	13	0	38	30	8
Grade 8	64	64	61	3	54	10	10	10	0	10	0	55	51	4
Grade 9	45	45	42	3	33	12	8	8	0	8	0	44	41	3
Grade 10	55	55	54	1	42	13	6	6	0	6	0	49	47	2
Grade 11	29	29	27	2	23	6	9	9	0	9	0	28	23	5
Grade 12	17	17	13	4	8	9	3	2	1	2	1	16	13	3
TOTAL	641	642	614	28	496	146	75	69	6	72	3	276	241	35

PERCENTAGE

4.36%

22.74%

8.00%

4.00%

12.68%

GREAT OAKS LEGACY CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF JUNE 30, 2017

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	22	22	21	1	16	6	0	0	0	0	0	0	0	0
KINDER	40	40	38	2	25	15	2	2	0	2	0	1	1	0
Grade 1	41	41	38	3	12	29	1	1	0	1	0	0	0	0
Grade 2	44	44	40	4	29	15	4	4	0	4	0	0	0	0
Grade 3	46	46	43	3	35	11	7	6	1	6	1	0	0	0
Grade 4	41	41	39	2	34	7	4	4	0	4	0	0	0	0
Grade 5	41	41	40	1	38	3	4	3	1	3	1	2	0	2
Grade 6	81	81	80	1	70	11	4	4	0	4	0	43	40	3
Grade 7	71	71	70	1	58	13	13	11	2	13	0	38	30	8
Grade 8	65	65	62	3	55	10	9	9	0	9	0	55	50	5
Grade 9	46	46	44	2	34	12	8	8	0	8	0	43	39	4
Grade 10	55	55	55	0	41	14	7	7	0	7	0	49	43	6
Grade 11	30	30	29	1	24	6	9	9	0	9	0	28	24	4
Grade 12	18	18	14	4	9	9	4	3	1	3	1	16	13	3
TOTAL	641	641	613	28	480	161	76	71	5	73	3	275	240	35

PERCENTAGE

4.37%

25.12%

6.58%

3.95%

12.73%