

**NEWARK PREP CHARTER SCHOOL**

**Auditors' Management Report  
On  
Administrative Findings  
Financial, Compliance  
And Performance  
June 30, 2017**

**NEWARK PREP CHARTER SCHOOL**

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**Tax Identification Number: 45-5478659**

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## **Report of Independent Auditors**

Honorable President and  
Members of the Board of Trustees  
Newark Prep 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 Newark Prep Charter School in the County of Essex, for the year ended June 30, 2017, and have issued our report thereon dated December 15, 2018.

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 Newark Prep Charter School Board of Trustee's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Olugbenga Olabintan, CPA*

December 15, 2018

Newark, New Jersey  
OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



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Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
No. 20CS00230200

**NEWARK PREP CHARTER SCHOOL**  
**Auditors' Management Report On Administrative Findings**  
**Financial, Compliance and Performance**  
**For the Year Ended June 30, 2017**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator, the activities of the Charter School, and the records of the various funds under the auspices of the Charter School.

**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:17-32, 18A:13-13)**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount</u></b>
Dr. Brian Falkowski	Board Secretary/School Business Administrator	\$150,000

There is a Public Employee's Faithful Performance Blanket Position Bond Policy covering all other employees with multiple coverage of \$25,000.

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

**Tuition Charges**

A review of the financial statements indicated that the charter school charged no tuition for any student attending the Charter School. And there is no evidence that the Charter School was engaged in the before/after school program during the year.

**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 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.

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All payrolls were approved by the designee in the Charter School and were certified by the President of the Board of Trustees, the School Business Administrator and the Principal/Director.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings due to the general fund.

Payrolls were delivered to the School Business Administrator/Board Secretary who then made cash transfers from the Operating account to the separate bank accounts for net payroll and the withholdings.

**Employee Certification**

**Observation**

Employees folders were no longer available as of the time the audit field work was scheduled.

**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.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with NJAC 6A:23-2.2(g) 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. 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:23 A-8.3. As a result of the procedures performed, no transaction error rate was noted.

**Instructional Expense**

**Observation**

We performed the percentage test for instructional expenses in relation to the general fund expenditures; we noted that the instructional expenses accounted for 57.62% of the total general fund expenditures, which is lower than the required percentage of 60%.

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**Board Secretary's Records**

We reviewed the financial and accounting records maintained by the Business Office. No exceptions noted.

***Finding # 2017-001– State Aid Receivables – Due from Certain Non-Resident Districts***

We noted that the State Aid amounts due from certain non-resident districts were materially outstanding as of June 30, 2017. The following is a summary of amounts due by district:

East Orange School District	\$ 69,284
Irvington School District	85,782
Orange School District	8,674
Belleville School District	9,138
Hillside School District	1,355
Total	<u>\$ 174,233</u>

The non-resident districts owing a combined total of \$174,233 in state aid did not respond to the Dissolution Trustee's requests for payments. Therefore, the amounts were not recognized as receivable as of June 30, 2017.

**Recommendation**

We recommend that the Dissolution Trustee should follow up with the State's Charter School office which could be enlisted in following up with the respective non-resident districts.

**Treasurer's Records**

Our review of the treasurer's records disclosed that the Charter School is in compliance with the State requirements. All cash accounts were reconciled monthly and reporting requirements were met on time.

**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 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 through VI of the Elementary and Secondary Education Act as amended.

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

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**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 that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved. No exceptions noted.

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 – federal and state.

**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.

We noted that the Charter School claimed all of the TPAF/FICA reimbursements during the year ended June 30, 2017.

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertising for Bids**

Effective July 1, December 15, 2018 and thereafter the bid thresholds in accordance with N.J.S.A 18A: 18A-3 (as amended) and 18A:39-3 is \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law requiring bidding for public student transportation contract 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 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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In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The system of records did not provide for an accumulation of purchases for which the Charter School used contracts entered into by the state Department of Purchase and Property pursuant to ch.114,P.L.1977, therefore, the extent of such purchases could not reasonably be ascertained.

**School Food Service**

The financial transactions and statistical records of the Charter School food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. We noted that meals claimed agreed with meal count records. No exceptions noted. We also noted that the 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 on file, times the number of operating days, on a class by class basis. No exceptions noted. The free and reduced price meals and free milk policy is uniformly administered throughout the Charter school. The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and cost verified.

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 school food service. Net cash resources did not exceed three-month average expenditures.

Cash receipts and bank records were reviewed for timely deposit. No exceptions noted.

The Charter School uses a food service vending company. We noted that the Charter School deposited and expended food program monies in accordance with N.J.S.A 18A:17-34, and 19-1 through 19-4.1.

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Food Distribution Program commodities were not received and therefore no inventory were maintained.

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

***Observation***

We noted that the Enterprise Fund - Child Nutrition Program incurred a deficit of \$81,291 for the year ended June 30, 2017. We further observed that the Food Program has incurred deficits in the two prior years. The deficit was funded by a transfer from the General Fund. The deficit was anticipated at the budget preparation for the 2016-2017 school year and covered by the General Fund.

**Student Body Activities**

Our audit did not reveal any student body activities during the fiscal year ended June 30, 2017.

**Enrollment Counts and Submission to the Department**

Our audit procedures included test of information reported on the October 15th, and the last day of school for on-roll, special education, bilingual and low income. We also performed a review of the Charter School procedures related to its completion.

***Finding 2017-002:***

As part of our audit we were required to conduct an audit of the two enrollment counts – October 15, 2016 and the last day of the school year in June 2017. The enrollment counts audit also included a review of the food program eligibility form for each student. All of the food program eligibility forms were not available for our audit. Further, special education folders for the special education students were not available for our audit. It is pertinent to note that the school's charter was revoked and it ceased operation as of June 30, 2017. This led to the return of all enrollment related documents to the respective resident districts of all students prior to June 30, 2017. Therefore, the documents were not readily available for the audit which was scheduled after June 30, 2017.

**Follow-up on Prior Year's Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations and all none were resolved.

**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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*Meal counts information was not made available for the June 30, 2017 audit.*

**Food Service Fund**  
**Numbers For Meals Served and (Over)/Underclaim**  
**Enterprise Fund**  
**For the Year Ended June 30, 2017**

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

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**Auditors' Management Report On Administrative Findings**  
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**Audit Recommendations Summary**

Findings and Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**Observation**

Employee folders were no longer available as of the time the audit field work was scheduled.

**Observation**

We performed the percentage test for instructional expenses in relation to the general fund expenditures; we noted that the instructional expenses accounted for 57.62% of the total general fund expenditures, which is below the required percentage of 60%.

***Finding # 2017-001– State Aid Receivables – Due from Certain Non-Resident Districts***

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**Recommendation**

We recommend that the Dissolution Trustee should follow up with the State's Charter School office which could be enlisted in following up with the respective non-resident districts.

3. School Purchasing Programs

None

4. School Food Service

***Observation***

We noted that the Enterprise Fund - Child Nutrition Program incurred a deficit of \$81,291 for the year ended June 30, 2017. The deficit was funded by a transfer from the General Fund. Similar deficits were incurred in the prior years ended June 30, 2016 and 2015, respectively which were also funded by transfers from the General Fund.

5. Student Body Activities

None

6. Application for State School Aid

***Finding 2017-002***

As part of our audit we were required to conduct an audit of the two enrollment counts – October 15, 2016 and the last day of the school year in June 2017. The enrollment counts audit also included a review of the food program eligibility form for each student. All of the food program eligibility forms were not available for our audit. Further, special education folders for the special education students were not available for our audit. It is pertinent to note that the school's charter was revoked and it ceased operation as of June 30, 2017. This led to the return of all enrollment related documents to the respective resident districts of all students prior to June 30, 2017. Therefore, the documents were not readily available for the audit which was scheduled after June 30, 2017.

7. Pupil Transportation

None

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8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

None were resolved.

**NEWARK PREP 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, 2017**

<u>Net Cash Resources:</u>	<b>Food Service B - 4/5</b>	
<b>CAFR</b> *	<b>Current Assets</b>	
B-4	Cash & Cash Equiv.	\$ 21,615
B-4	Due from Other Gov'ts	20,209
B-4	Accounts Receivable	-
B-4	Investments	-
<b>CAFR</b>	<b>Current Liabilities</b>	
B-4	Less Accounts Payable	-
B-4	Less Accruals	-
B-4	Less Due to Other Funds	(41,824)
B-4	Less Deferred Revenue	-
		-
	<b>Net Cash Resources</b>	<b>\$ - (A)</b>

**Net Adj. Total Operating Expense:**

B-5	Tot. Operating Exp.	212,666	
B-5	Less Depreciation	-	
		-	
	Adj. Tot. Oper. Exp.	<b>\$ 212,666 (B)</b>	

**Average Monthly Operating Expense:**

B / 10	<b>\$ 21,267 (C)</b>
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**Three times monthly Average:**

3 X C	<b>\$ 63,800 (D)</b>
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TOTAL IN BOX A	\$ -
LESS TOTAL IN BOX D	\$ (63,800)
NET	<b>\$ (63,800)</b>

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