

**LADY LIBERTY ACADEMY
CHARTER SCHOOL**

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

LADY LIBERTY ACADEMY CHARTER SCHOOL

Table of Contents

	<u>Page</u>
Independent Auditors’ Report.....	1
Scope of Audit	2
Administrative Practices and Procedures:	
Insurance	2
Official Bonds.....	2
Financial Planning, Accounting and Reporting:	
Examination of Claims	2
Payroll Account	3
Reserve for Encumbrances and Accounts Payable.....	3
Classification for Expenditures.....	3
General Classification.....	3
Administrative Classification.....	3
Board Secretary’s Reports	4
Treasurer’s Records	4
Elementary and Secondary Education Act/Improving America’s School Act as re-authorized by the No Child Left Behind Act of 2001.....	4
Other Special Federal and/or State Projects.....	4
T.P.A.F Reimbursements	5
School Purchasing Programs	
Contracts and Agreements Requiring Advertising for Bids	5
School Food Service	6
Student Body Activities	7
Enrollment counts and submission to the Department	7
Follow-up on Prior Year Findings	7
Acknowledgement	8
Schedule of Meal Count Activity	9
Schedule of Audited Enrollments	10-11
Net Cash Resource.....	12

Tax Identification Number: 22-3762597

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Lady Liberty Academy 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 Lady Liberty Academy Charter School in the County of Essex, for the year ended June 30, 2017, and have issued our report thereon dated November 7, 2017.

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 Lady Liberty 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.

Olugbenga Olabintan, CPA

November 7, 2017
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



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

LADY LIBERTY ACADEMY 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 and the Treasurer of School Moneys, 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:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Falkowski	Board Secretary/School Business Administrator	\$175,000

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 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 indicated some discrepancies with respect to signatures, certification or supporting documentation as follows:

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

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.

All payrolls were approved by the Executive Director and were certified by the Board President and Board Secretary/ School Business Administrator and Executive 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

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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 6A:23A-16.2(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 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.

Instructional Expense

Finding # 2017-001 – Percentage of Instructional Expenditures

We performed the percentage test for instructional expenses in relation to the general fund expenditures; we noted that the instructional expenses accounted for 54.55% of the total general fund expenditures, which is lower than the required percentage of 60%.

Recommendation:

We recommend that the Board continues to ensure that instructional expenses account for more than 60% of total general fund expenditures.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

Management Response:

The Charter School budget for 2016-2017 was prepared to ensure that restricted funds (including the No Child Left Behind and IDEA grants) which were available for a defined period of time were fully expended during the year. Therefore, the portion of instructional expenses that would have pulled the percentage above 60% was charged to the restricted funds. It is also notable that the percentage of instructional expenditures that we achieved was not significantly lower than the 60% minimum. However, management will continue to increase the proportion of instructional expenditures.

Board Secretary's Records

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

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.

No Child Left Behind (N.C.L.B)

The N.C.L.B financial exhibits are contained within the Special Revenue Section of the Charter School's CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and Title II of the No Child Left Behind.

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.

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.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

Finding # 2017-002 – Garnishment of \$45,640.39 by the US Federal Collection Agency

During the prior year's 2015 audit we noted the United States Federal Collection Agency impounded an amount totaling \$45,640.39 from a September 2014 drawdown of \$160,469 requested by the Charter School for the 2013-2014 Title I grant. At that time, we considered this was an unusual situation that needed a clear explanation. We recommended that the Charter School should follow up with the Federal Collection Agency (at 888-826-3127). We suspected without any evidence that the garnishment related to a judgement that was not satisfied. However, it is important to have all the facts and recover the funds from the parties involved.

Recommendation:

We recommend that the Charter School should follow up to obtain all of the reasons for the garnishment. And should make efforts to recover the funds if it relates to a liability not accruing to the Charter School.

Management Response:

Management has reached out to all parties involved for clarification of charges and expects full resolution of this matter by June 30, 2018.

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. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertising for Bids

Effective July 1, 2015 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.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

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 18A18A-4, amended, except as follows:

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A 18A:A8A-5.

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's Food Service Fund were reviewed. 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.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

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

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 \$8,276 for the year ended June 30, 2017. The deficit was funded by a transfer from the General Fund.

Student Body Activities - Observations

Our audit revealed some student body activities during the fiscal year ended June 30, 2017. The transactions were not posted into the CDK accounting system. We recommend that all agency related transactions including student activities should be fully integrated into and accounted for in the CDK system.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count for October 15, 2016 and the last day of school for on-roll, special education, bilingual and low income students and a review of the Charter School's procedures related to its completion. The results of our procedures are presented in the Schedule of Audited Enrollments.

Follow-up on Prior Year's Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. During the year ended June 30, 2018, the Charter School contracted with an outside Management Company to take over its Business Office functions. The outside Management Company has made significant improvements in the accounting functions of the Charter Schools. All of the prior year's findings were cleared except the following:

- Instructional expenditures less than the required minimum of 60%
- Garnishment of \$45,640.39 by the US Federal Collection Agency

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

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.

LADY LIBERTY ACADEMY CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2017

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	2,242	2,242	-	0.42	\$ -
	Reduced	-	-	-	2.90	-
	Free	63,850	63,850	-	3.30	-
	Total	<u>66,092</u>	<u>66,092</u>	<u>-</u>		<u>-</u>
School Breakfast	Paid	1,843	1,843	-	0.29	-
	Reduced	-	-	-	1.74	-
	Free	55,375	55,375	-	2.04	-
	Total	<u>57,218</u>	<u>57,218</u>	<u>-</u>		<u>-</u>
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	Total	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Total Net (Over)/Underclaim						<u><u>\$ -</u></u>

LADY LIBERTY ACADEMY CHARTER SCHOOL
Application for Charter School Aid
Schedule of Audited Enrollments
Enrollment Count as of October 15, 2016

Grades	Submission to DOE reported on Roll	Reported on Workpapers	Verified signed registration forms	Errors	Verified # of days enrolled	Errors	Special Ed &/ or Bilingual	Verified Documentation	Errors	Verified # of days of Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	44	24	24	-	24	-	1	1	-	1	-	19	19	-
One	56	28	28	-	28	-	2	2	-	2	-	22	22	-
Two	52	26	26	-	26	-	1	1	-	1	-	21	21	-
Three	54	29	29	-	29	-	2	2	-	2	-	24	24	-
Four	58	28	28	-	28	-	3	3	-	3	-	23	23	-
Five	52	27	27	-	27	-	4	4	-	4	-	22	22	-
Six	44	22	22	-	22	-	4	4	-	4	-	17	17	-
Seven	56	28	28	-	28	-	4	4	-	4	-	25	25	-
Eight	48	24	24	-	24	-	4	4	-	4	-	21	21	-
Total	464	236	236	-	236	-	25	25	-	25	-	194	194	-
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

LADY LIBERTY ACADEMY CHARTER SCHOOL
Application for Charter School Aid
Schedule of Audited Enrollments
Enrollment Count as of Last Day of School

Grades	Submission to DOE reported on Roll	Reported on Workpapers	Verified signed registration forms	Errors	Verified # of days enrolled	Errors	Special Ed &/ or Bilingual	Verified Documentation	Errors	Verified # of days of Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	46	23	23	-	23	-	-	-	-	-	-	22	22	-
One	44	22	22	-	22	-	1	1	-	1	-	19	19	-
Two	60	30	30	-	30	-	-	-	-	-	-	27	27	-
Three	52	26	26	-	26	-	-	-	-	-	-	23	23	-
Four	48	24	24	-	24	-	1	1	-	1	-	21	21	-
Five	32	16	16	-	16	-	1	1	-	1	-	14	14	-
Six	60	30	30	-	30	-	4	4	-	4	-	25	25	-
Seven	42	21	21	-	21	-	3	3	-	3	-	18	18	-
Eight	38	19	19	-	19	-	3	3	-	3	-	16	16	-
Total	422	211	211	-	211	-	13	13	-	13	-	185	185	-
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

**LADY LIBERTY ACADEMY 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>	Food Service B - 4/5	
CAFR *		Current Assets
B-4	\$ 24,885	Cash & Cash Equiv.
B-4	55,794	Due from Other Gov'ts
B-4	-	Accounts Receivable
B-4	-	Investments
CAFR		Current Liabilities
B-4	-	Less Accounts Payable
B-4	-	Less Accruals
B-4	(88,955)	Less Due to Other Funds
B-4	-	Less Deferred Revenue
	\$ (8,276.00)	Net Cash Resources
		(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	329,231	Tot. Operating Exp.
B-5	-	Less Depreciation
	\$ 329,231	Adj. Tot. Oper. Exp.
		(B)
 <u>Average Monthly Operating Expense:</u>		
	\$ 32,923	B / 10
		(C)
 <u>Three times monthly Average:</u>		
	\$ 98,769	3 X C
		(D)

TOTAL IN BOX A	\$ (8,276.00)
LESS TOTAL IN BOX D	(98,769)
NET	(107,045)

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