

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**

**AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE YEAR ENDED JUNE 30, 2024**

# NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

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June 30, 2024

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Report of Independent Auditor

To the Board of Trustees of  
North Star Academy Charter School of Newark:

**Report on the Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, the basic financial statements of North Star Academy Charter School of Newark, in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2024, and have issued our report thereon dated December 13, 2024.

As part of our audit, we performed procedures required by the New Jersey Department of Education and the findings as results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of North Star Academy Charter School of Newark's management, Board of Trustees and the New Jersey Department of Education. However, this report is a matter of public records and its distribution is not limited.

*AAFCPAs, Inc.*

Westborough, Massachusetts  
December 13, 2024

John R. Buckley, C.P.A.  
Public School Accountant  
PSA #20CS0027180

## SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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 in Exhibit J-20, Insurance Schedule contained in the Charter School's Annual Comprehensive Financial Report (ACFR).

### Official Bonds

<u>Name</u>	<u>Position</u>
Raj Taruvai	Director of Accounting

There are the following bonds:

- Faithful Performance bond in the amount of \$50,000
- Money and securities in the amount of \$50,000
- Fidelity bond in the name of a related party, Uncommon Schools, Inc., which extends to the Charter School in the amount of \$1,000,000.

Our audit procedures included an inquiry and review of health benefit data required per N.J.S.A 18A:16-17. Our review did not disclose any new exceptions 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 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 of Trustees and the School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium.

### Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2024, for proper classification of orders for accounts payable. No discrepancies were noted.

### Travel

The Charter School properly has an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

Our procedures performed on travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

## **FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)**

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A23A-23A-16(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 state 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. 6A23A-8.3*. As a result of the procedures performed, a transaction error rate of zero percent overall was noted, and no additional procedures were deemed necessary to test the propriety of expenditure classification.

- A. General Classification Findings  
*No exceptions noted*
- B. Administrative Findings  
*No exceptions noted*

### Board's Secretary Accounting Records

Our review of the financial and accounting records maintained by the board secretary did not disclose any new exceptions during the current year.

### Treasurer Records

Our review of the financial and accounting records maintained by the board designated chief school business administrator did not disclose any new exceptions during the current year.

### Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended. No exceptions noted.

### Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Exhibit E-1 located in the ACFR.

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 ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects.

### PERS Pension Plan and TPAF Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the Charter School project employees who are members of the Teachers Pension and Annuity Fund. In addition, our audit procedures included a test of the PERS employees and current year contribution submitted to the New Jersey Division of Pensions and Benefits for the Charter School project employees who are members of the New Jersey Public Employees' Retirement System.

## **FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)**

### **TPAF Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

## **SCHOOL PURCHASING PROGRAMS**

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

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 for 2023-2024.

The Charter School's Board of Trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where the 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.

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

## **STUDENT BODY ACTIVITIES**

Our review of the student activities funds did not disclose any exceptions during the year.

## **ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT**

### **Application for State School Aid (ASSA)**

Our audit procedures included tests of information reported on the October 15, 2023, and the last day of school for on-roll, special education, bilingual, and low-income. We also performed a review of the Charter School's procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data. The results of our procedures are presented in the Schedule of Audit Enrollments. No exceptions noted.

### **Finding 2024-01**

During our testing of enrollment, we noted that due to a clerical error, the Charter School's June enrollment counts reported on the Charter School Enrollment Report (CHE Report) as of June 30, 2024, did not include supporting documentation for 116 students that were enrolled during the year and included on the Charter School's internal enrollment records, which resulted in a repayment due to the State of NJ of approximately \$1,300,000 for the year ended June 30, 2024. This was a result of the Charter School not submitting proper documentation for the students served, however, due to a clerical oversight.

## **ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT (Continued)**

### Application for State School Aid (ASSA) (Continued)

#### **Finding 2024-01** (Continued)

##### *Recommendation:*

We recommend that management implement a control to ensure all necessary documentation is reported to the sending district to support the Charter School's enrollment.

##### *Management Response:*

The Charter School has implemented additional controls to ensure the accuracy and reconciliation of enrollment reported on the CHE Report and all related supporting documentation. Management now conducts more frequent reconciliations between internal data and data in the CHE system, reducing the risk and potential magnitude of enrollment data discrepancies at the end of the school year. Management has also implemented two additional levels of review and approval of enrollment data submissions, reconciliations, and supporting documentation, as well increasing the frequency of reviews and approval, in order to prevent data discrepancies in the future.

#### **Finding 2024-02**

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) enrollment, we noted that the number of students classified as LEP, SPED and FRLP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree.

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) students, we noted that the number of students classified per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree. In addition, the appropriate supporting documentation (Free and Reduced Lunch Application, Household Surveys) could not be located for three students reported as low income. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports.

##### *Recommendation:*

Management should keep supporting documentation and updated internal tracking sheets to properly reflect accurate classification to ensure all students are correctly entered in the CHE report.

##### *Management Response:*

Efforts will be made to review and maintain the information to support numbers in the CHE Report.

### School Food Service

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. No exception noted.

## **ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT (Continued)**

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

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 overclaims or underclaims. 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.

Non-program foods were not purchased, prepared, sold, or offered for sale.

Net cash resources exceeded three months average expenditures.

## **FACILITIES AND CAPITAL ASSETS**

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

## **MISCELLANEOUS**

### **Testing for Lead of All Drinking Water in Educational Facilities**

The Charter School adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The Charter School submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

## **FOLLOW-UP ON PRIOR YEAR FINDINGS**

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year findings.

### **Finding 2023-01**

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) enrollment, we noted that the number of students classified as LEP, SPED and FRLP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree.

During our testing of Limited English Proficiency (LEP), Special Education (SPED), and Free or Reduced Plan (FRPL) students, we noted that the number of students classified per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports. This finding is still in process during the fiscal year 2024 audit (see Finding 2024-02).

## **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.



**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**  
**APPLICATION FOR CHARTER SCHOOL AID**  
**ENROLLMENT COUNT AS OF OCTOBER 15, 2023**

Submission to DOE reported Grades On Roll		Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	526	263	263	-	263	-	37	27	-	27	-	444	444	-
One	542	271	271	-	271	-	38	34	-	34	-	462	462	-
Two	544	272	272	-	272	-	50	44	-	44	-	484	484	-
Three	551	276	276	-	276	-	53	46	-	46	-	466	465	1
Four	546	273	273	-	273	-	66	63	-	63	-	470	470	-
Five	559	280	280	-	280	-	65	61	-	61	-	475	475	-
Six	560	280	280	-	280	-	81	75	-	75	-	477	477	-
Seven	537	269	269	-	269	-	79	73	-	73	-	452	452	-
Eight	552	276	276	-	276	-	64	62	-	62	-	475	474	1
Nine	484	242	242	-	242	-	65	56	-	56	-	406	406	-
Ten	375	188	188	-	188	-	46	44	-	44	-	302	301	-
Eleven	362	181	181	-	181	-	50	48	-	48	-	296	296	-
Twelve	341	171	171	-	171	-	44	43	-	43	-	273	273	-
Total	6,479	3,240	3,240	-	3,240	-	738	676	-	676	-	5,482	5,479	-
Percentage		0%			0%		0%			0%			0%	

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF THE LAST DAY OF SCHOOL**

Submission to DOE reported On Roll		Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Grades														
Kindergarten	519	260	260	8	260	-	30	27	-	27	-	429	429	-
One	529	265	265	11	265	-	37	34	-	34	-	452	452	-
Two	537	269	269	11	269	-	49	44	-	44	-	478	478	-
Three	543	272	272	8	272	-	51	46	-	46	-	459	459	-
Four	539	270	270	6	270	-	65	63	-	63	-	465	464	1
Five	551	276	276	9	276	-	63	61	-	61	-	469	469	-
Six	551	276	276	5	276	-	76	75	-	75	-	470	470	-
Seven	529	265	265	17	265	-	78	73	-	73	-	446	446	-
Eight	546	273	273	10	273	-	62	62	-	62	-	470	469	1
Nine	471	236	236	16	236	-	62	56	-	56	-	397	397	-
Ten	360	180	180	12	180	-	44	44	-	44	-	292	292	-
Eleven	356	178	178	3	178	-	49	48	-	48	-	292	292	-
Twelve	339	170	170	-	170	-	44	43	-	43	-	271	271	-
Total	6,370	3,185	3,185	116	3,185	-	710	676	-	676	-	5,390	5,388	2
Percentage				4%		0%			0%		0%			0%

# NET CASH RESOURCE SCHEDULE

Net Cash Resources did/did not exceed Three Months of Expenditures  
 Proprietary Funds - Food Service  
 Fiscal Year Ended June 30, 2024

<u>Net Cash Resources:</u>		Food Service B - 4/5	
ACFR	*	<b>Current Assets</b>	
B-4		Cash	\$ 1,514,263
B-4		Prepaid Expenses	52,027
B-4		Accounts Receivable	475,160
ACFR		<b>Current Liabilities</b>	
B-4		Less - Accounts Payable and Accrued Expenses	(727,575)
B-4		Less Due to Other Funds	(120,825)
		<b>Net Cash Resources</b>	<b>\$ 1,193,050 (A)</b>
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	\$ 3,889,207
		Adj. Tot. Oper. Exp.	<b>\$ 3,889,207 (B)</b>
<u>Average Monthly Operating Expense:</u>			
	B / 10		<b>\$ 388,921 (C)</b>
<u>Three Times Monthly Average:</u>			
	3 X C		<b>\$ 1,166,762 (D)</b>
TOTAL IN BOX A		\$ 1,193,050	
LESS TOTAL IN BOX D		(1,166,762)	
NET		<b>\$ 26,288</b>	

From above:

**A is greater than D, cash exceeded 3 X average monthly operating expenses.**

\* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

*Recommendation:*

Finding 2024-01 - Management should ensure all necessary documentation is reported to the sending district to support the Charter School's enrollment.

Finding 2024-02 - Management should ensure all supporting documentation is kept on file and regularly updated to reflect proper classification.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State and School Aid

None

7. Pupil Transportation

Not applicable

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year's Findings and Recommendations

Management should maintain supporting documentation to ensure all students are correctly entered in the CHE report and reporting should be filed timely.