



Date: December 4, 2019

To: Board of Directors

From: Ami Ortiz, Director of Business & Finance

Subject: 2018-19 Audit

An independent audit is an examination of our financial records, accounts, accounting practices, and internal controls. For public schools the audit also reviews our instructional days and hours and the school sites' Average Daily Attendance (ADA) records to ensure the organization is in compliance with all California state laws. During the audit, the auditor reviews the organization's financial statements to determine whether or not they adhere to Generally Accepted Accounting Principles (GAAP). The independent audit is performed by an auditor/CPA that is not an employee and is retained through a contract for services, hence the term "independent" audit.

Navigator's independent audit process began after the close of the 2018-19 fiscal year. I worked closely with Renee Bollier and Lily Huang from the Clifton, Larson, Allen audit firm to ensure they had all documents needed to complete the audit in a timely manner so that we would meet the deadline set forth by the California Department of Education (CDE). All of the audit work was performed off site by Ms. Bollier and Ms. Huang. During the audit process, they interviewed Navigator's Board Chair, Caitrin Wright, and Board Treasurer, Joyce Montgomery.

I am happy to report the financial audit was a success! Below are a few of the highlights from the attached independent financial audit:

- Navigator Staff and CLA Staff maintained a positive and cooperative relationship to ensure a smooth and timely process;
- There were no findings or questioned costs related to the basic financial statements for June 30, 2019 (page 24); and
- CLA found that no adjusting journal entries that needed to be made.

CLA Staff also audited Navigator's state-award programs. During the 2018-19 audit, there was a finding in the unduplicated Local Control Funding Formula count for Hollister Prep School.

Gilroy Prep School was not affected by this finding. Please note, there will not be any financial implications to this finding. Below is an excerpt from the audit report, found on pages 24 and 25, explaining the finding:

Criteria: Education code section 42238.02 (b)(2) requires a charter school to submit its enrolled free and reduced-price meal eligibility, foster youth and English learner pupil-level records for enrolled pupils using the California Longitudinal Pupil Achievement Data System (CalPADS). The CalPADS 1.17 and 1.18 reports should accurately report the number of students eligible for free and reduced-price meals and those identified as “English Learners.”

Condition: During testing of Hollister Prep we compared students’ family income per Free and Reduced-Price Meal (FRPM) eligibility applications to the Income Eligibility Scales for 2018-19 and found that the School inaccurately reported students as eligible for free or reduced-price meals.

Effect: Hollister Prep is not in compliance with Education code section 42238.02 (b)(2).

Cause: The School was either unable to provide meal applications, or meal applications were marked as denied and erroneously entered into School’s system and submitted to CalPADS.

Questioned Costs: A full file review was conducted, and as a result 11 students were included in the CalPADS report as eligible for free or reduced meals for which supporting documentation indicated they were not eligible. Revised entitlement had no impact on LCFF Entitlement.

Repeat Finding: This is not a repeating finding.

Recommendation: We recommend that the School employ additional monitoring processes to review the Free and Reduced-Price Meal (FRPM) eligibility data to ensure that reporting errors are minimized and corrections are made on a timely basis.

Views of responsible officials and planned corrective actions: The management of Navigator Schools accepts this finding. As a result of this audit, the School has developed additional monitoring processes to ensure accuracy in the reporting of student eligibility for the Free and Reduced Lunch Program (FRPM). The monitoring process includes having three designated individuals review the income verification form before submitting to state.