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Board of Trustees
Ms. Elsie Perez, CEO
Lehigh Valley Dual Language Charter School
675 E Broad Street
Bethlehem, PA 18018

We have audited the financial statements of the governmental activities; business-type activities, each major fund, and the aggregate remaining fund information of the Lehigh Valley Dual Language Charter School for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lehigh Valley Dual Language Charter School are described in the notes to the financial statements. As described in Note 2 section G to the financial statements, the School revised accounting policies related to Conduit Debt Obligations, Public-Private and Public-Public Partnership arrangements (PPPs), and Subscription-Based Information Technology Arrangements (SBITAs). This change aligns with the adoption of the Governmental Accounting Standards Board (GASB) Statements No. 81, 94, and 96. The proactive implementation of these new standards did not impact the beginning-of-year financial figures. We noted no transactions entered into by Lehigh Valley Dual Language Charter School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events may differ significantly from those expected. The most sensitive estimates affecting the Governmental Activities & Business-Type Activities financial statements were

> Management's estimate of Depreciation of Capital Assets is calculated on the straight-line basis of depreciation. We evaluated the methods, assumptions, and data used to develop the Depreciation of Capital Assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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> Management's estimate of Pension and Other Post-Employment Benefits (OPEB) is based on retirement ages, mortality rates, healthcare cost trends, and expected return on pension plan assets. We evaluated the methods, assumptions, and data used to develop the net pension & OPEB liabilities and the deferred inflows and outflows related to these items in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosure are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures involve capital assets and long-term debt. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, wither or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter provided to us on December 6, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Lehigh Valley Dual Language Charter School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lehigh Valley Dual Language Charter School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention

Other Matters

We applied certain limited procedures to the Schedules of the School's Defined Benefit Pension Plan, and the Schedules of the School's OPEB Plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express and opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lehigh Valley Dual Language Charter School as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Lehigh Valley Dual Language Charter School's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lehigh Valley Dual Language Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Lehigh Valley Dual Language Charter School's internal control

Our consideration of the School's internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. The following three paragraphs define the three different types of deficiencies that can occur:

> **A control deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.**
>
> **A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.**
>
> **A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.**

As the primary purpose of our audit is to form an opinion on the basic financial statements, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against errors and fraud which audit procedures may not disclose. The objective of internal control over financial reporting is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use and that financial records are reliable for preparing financial statements in accordance with generally accepted accounting principles and for maintaining the accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the related benefits; to operationalize this concept, management is required to formulate estimates and judgments of the cost/benefit ratios of alternative controls.

There are inherent limitations that should be recognized in considering the potential effectiveness of internal control over financial reporting. Errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, fatigue, and other personnel factors. Control procedures whose effectiveness depends upon the segregation of duties can be circumvented by collusion or by management. What's more, any projection of internal control evaluations to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or due to the deterioration of the degree of compliance with control procedures.

As an adjunct to our audit, we remained alert throughout for opportunities to enhance internal controls and operating efficiency. These matters were discussed with management as the audit progressed and have subsequently been reviewed in detail to formulate practical recommendations. We wish to thank your staff for their courtesies and cooperation, which facilitated the efficient performance of audit procedures. The remainder of this letter will explain any internal control deficiencies discovered during the audit, other auditor recommendations, and other information pertinent to the School.

A control deficiency is determined to be considered a material weakness or significant deficiency based upon the magnitude of the problem as it pertains to a particular opinion unit. In other words, what is considered a significant deficiency in one fund may only be a control deficiency in another fund of greater size.

The following section in this government/management letter is separated by categories based on importance, with any material weaknesses or significant deficiencies listed in the beginning:

Material Weaknesses

Given the limitations described in the preceding paragraphs, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Significant Deficiencies

None reported

Control Deficiencies

<u>Expenditure Recognition Procedures</u>

Throughout the audit process, we identified several instances where invoices were expensed in the fiscal year 22-23, despite the actual expenditures pertaining to the subsequent year. Our investigation revealed that this discrepancy arose from the reliance on the Invoice Date entered in Bill.com to determine the appropriate period for recording expenditures.

It is crucial to note that using the invoice date as the basis for expenditure recognition may lead to inaccuracies, as it does not always align with the date when services were rendered, or goods were received. In light of this, we recommend the Charter School to expand their cutoff procedures around accounts payable at year-end to include reviewing invoices for the last few weeks of the fiscal year to verify which year the expenditures belong in. This adjustment is essential to ensure accurate recording of expenditures in the correct reporting period.

Recommendations

<u>Documentation of Journal Entries</u>

Our investigation of the general journal entries revealed that all entries lack documentation of proper approval by a responsible employee. It is critical to document management's review and approval of the journal entry. It should also be stressed that the management approval of the journal entry should occur before actual entry and posting of the journal entry. By having this requirement as part of the accounting procedures, it provides assurance that management is directing the activities of the accountants who enter the transactions into the general ledger.

We recommend some key points for making, approving, and documenting journal entries—

- a. All accruals and reversing entries should be properly explained and documented. The documentation should tell a complete story, in plain language, so that someone unfamiliar with the material, but knowledgeable in accounting, can understand it.

- b. All valuations, judgements, and estimates used to support the amounts entered in the journal entries should be documented, including any supporting documents.

- c. All manual, nonrecurring journal entries should be individually approved and properly documented. Documentation should also include employee notes, explanations, or other documentation that shows the source of the request for the journal entry.

With these key points in mind, we suggest implementing a journal entry approval process and that management emphasize its consistent use. The records should include the accounting date (fiscal period and year); calendar date of entry; the type of entry (reversing, accrual, manual, etc.); name of journal entry preparer and date prepared; name of approver and date approved; the dollar limit of approver's authority; additional approver and approval date (if necessary); system reference number of the entry; and an explanation of the entry with any supporting documentation. The form should then include an area to show the journal entry made, including account descriptions.

Restriction of Use

This information is intended solely for the information and use of the Board of Directors and management of the Lehigh Valley Dual Language Charter School and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectively submitted,

Norman & Associates, P.C.

December 21, 2023