

**INDEPENDENT AUDITORS MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**ACADEMY FOR URBAN LEADERSHIP
CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

JUNE 30, 2016

**GALLEROS KOH LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

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INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of Board of Trustees
Academy for Urban Leadership Charter School
County of Middlesex, New Jersey

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 the Board of Trustees of the Academy for Urban Leadership Charter School (the "Charter School") in the County of Middlesex, State of New Jersey for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016.

As part of our audit, we performed procedures required by the State of 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 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.

Leonora Galleros, CPA
Licensed Public School Accountant
No. No. 20CS002239400

November 30, 2016
Cream Ridge, New Jersey

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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 Board of Trustees of Visions Academy Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Required insurance coverages are 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)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Gil Berrios	School Business Administrator	\$175,000
Jeannie Scott	Treasurer	\$175,000

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter School.

Financial Planning, Accounting, and Reporting

Examination of Claims

An examination of claims paid during the period under review we noted that claims were approved by designated individuals, certified and supporting documents were maintained. No exception noted.

Finding 2016-001*

In our review of cash disbursements and various transactions comprising certain expenditure amounts, we noted the following:

- a. There were 8 out of 60 claims tested have purchase order dates that is the same or after the invoice/contract date.
- b. Supporting documents for eleven (11) claims paid were not on file.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Recommendation

We recommend a review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School's purchasing policy.

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 of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator. In addition, salary withholdings were remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2016, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable. No exception was noted in this area.

Travel Policy

A travel policy was adopted by the Board as required by N.J.A.C. 6A:23A A-6.13 and N.J.S.A. 18A:11-12.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2. As a result of the procedures performed, a minimal transaction error rate of 0.017% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Finding No. 2016-002 (CAFR 2016-001)

During our test of transactions and expenditures, we noted the following exceptions:

- a. Instruction salaries per payroll reports were recorded in administrative accounts.
- b. Security services were recorded as non-instructional equipment
- c. Nurse supplies were recorded as instructional supplies
- d. Employer payroll taxes were recorded as Other Instructional Salaries

The expenditures and related appropriations were reclassified during fieldwork.

Recommendation:

Charter Schools should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools*, 2008 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A-16.2(f).

Finding No. 2016-003*

In our review of the Charter School's instructional expense ratio to the total expenditures, we noted that it is below the 60% minimum threshold (actual is 50.78%)

Recommendation

We recommend that the Charter School review its support and administrative expenses to improve its instructional expense ratio to total expenditures.

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval.

Finding No. 2016-004

The interfund receivables and payables were not reconciled at year-end. Several adjusting journal entries are proposed to correct the interfund accounts.

Recommendation

We recommend that reconciliation of interfund accounts should be completed periodically and reconciled at year-end.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Finding No. 2016-005

Several expenditure lines are over expended.

Recommendation

We recommend that expenditure lines are periodically reviewed to ensure that the funding level is adequate to fund planned expenditures. Budget transfers and modifications should be made before the year ends.

Treasurer's Records

Finding No. 2016-006*

In our review of the bank reconciliation statements, we noted that reconciling items needed to agree the amounts per bank statements to the Board Secretary's Report were not recorded in the CDK Accounting System. It should be noted that the bank reconciliation module in the accounting system of the Charter School is not being used.

Instead, bank reconciliation is done manually in an excel worksheet. Further, it was also noted that the enterprise and the net payroll cash accounts have overdrafts as reconciled as of June 30, 2016.

Recommendation

Each month, the Treasurer should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account (N.J.S.A. 18A:17-9).

Elementary and Secondary Education Act (ESEA)/ Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The ESEA/NCLB 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 and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's special projects were approved as listed on Schedules A and B 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.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting – Continued

Teachers' Pension Annuity Fund (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter School employees who are members of the Teacher's Pension Annuity Fund. We noted no exceptions.

TPAF Reimbursement to the State for Federal Salary Expenditures

Finding 2016-007

The amount of expenditure charged to the current year's Final Reports for all federal awards 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 paid subsequent to the end of the 90-day grant liquidation period required by the Office of Grants Management and *N.J.S.A. 18A:66-90*.

Recommendation

The Charter School is to remit payment within the 60-day grant liquidation period and/or certainly within the statutory 90-day liquidation period. Pursuant to *N.J.S.A. 18A:66-90*, the reimbursement must be made by October 1 following the fiscal year end.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 (a) sets forth the bid threshold and requires award by board resolution. The statute was amended in 1999 to provide for an even higher threshold when there is a "Qualified Purchasing Agent" in the charter school as defined at *N.J.A.C. 5:34-1.1* and certified upon approval of an application submitted to DCA. Pursuant to *N.J.S.A. 18a:18a-3(B)*, the bid threshold was raised to \$29,000, effective July 1, 2015. For charter schools with a qualified purchasing agent, the bid threshold was raised to \$40,000.

"When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$29,000 the contract may be awarded by a purchasing agent when so authorized by resolution of the board without public advertising for bids and bidding therefore, except that the board may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Purchasing Programs - Continued

N.J.S.A. 18A:18A-37 describes the awarding of contracts below the bid threshold. Subsection (a) describes the requirements for awarding contracts below the bid threshold. "For all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, and for those contracts that are for subject matter enumerated in subsection (a) of N.J.S.A. paragraph (3) of that subsection concerning work by employees of the board, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable."

Subsection (c) describes the requirements for small purchases.

"If authorized by the board resolution, all contracts that are in the aggregate less than 15 percent of the bid threshold may be awarded by the purchasing agent without soliciting competitive quotations."

Based on the results of our tests, we did note any individual payments, contracts, or agreements made for the performance of any work or goods or services in excess of statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

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

School Food Service

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 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.

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

Charter School Enrollment System/Charter School Aid

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low income students. We also performed a review of the Charter School's procedures related to its completion. We noted the exceptions as follows.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Charter School Enrollment System/Charter School Aid - Continued

Finding No. 2016-008 (*) (CAFR 2016-002)

In our review of enrollment information as reported in State's system and as per school records, we noted that six (6) students transferred in but were not reported in CHE System; and a student receiving Special Education Services was not reported in CHE system as such.

Recommendation

We recommend that the Charter School reviews the CHE entries and agree to student information on file. Reconciliation and review procedures of information should also be conducted on a periodic basis.

Finding No. 2016-009* (CAFR 2016-002)

In our review of records and reports related to the Food Service Program, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents as follows:

- a. There were three (3) students classified as "free" category should have been classified under "reduced" or "paid" category based on the completed application and income information on file.
- b. There were nine (9) students classified as "paid" should have been classified under "reduced" or "free" category based on the completed application and income information on file.
- c. There were two (2) students with missing lunch applications.

Recommendation

We recommend that entries in the CHE system should be reviewed against information on verified lunch applications by designated Charter School personnel or by contracted vendor to ensure proper reporting and accurate claims of meals served under the three categories: free, reduced, or paid meals. All completed applications should be maintained and be made available for review.

Facilities and Capital Assets

The Charter School has inventory records of assets. No exception was noted in this area.

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Repeat recommendations are identified with an asterisk (*). All other recommendations had been addressed through corrective actions.

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
COUNTY OF MIDDLESEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Acknowledgment

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of our audit team.

Respectfully submitted,



Leonora Galleros, CRA
Licensed Public School Accountant
No. 20CS002239400

November 30, 2016
Cream Ridge, New Jersey

ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2015

Submission to															
Grades	CHE reported On Roll	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	
Ninth	105	105	105	-	186	-	2	3	(1)	186	-	83	84	(1)	
Tenth	106	106	106	-	186	-	2	2	-	186	-	72	72	-	
Eleventh	97	97	97	-	186	-	3	3	-	186	-	70	69	1	
Twelfth	85	85	85	-	186	-	3	3	-	186	-	51	54	(3)	
Total	393	393	393	-	744	-	10	11	(1)	744	-	276	279	(3)	
Percentage				0.0%		0.0%			-9.1%		0.0%			-1.1%	

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2016**

Submission to															
Grades	DOE reported On Roll	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	
Ninth	109	109	109	-	182	-	2	3	(1)	182	-	82	83	(1)	
Tenth	106	106	106	-	182	-	2	2	-	182	-	71	71	-	
Eleventh	91	91	91	-	182	-	3	3	-	182	-	67	66	1	
Twelfth	84	84	84	-	182	-	3	3	-	182	-	50	53	(3)	
Total	390	390	390	-	728	-	10	11	(1)	728	-	270	273	(3)	
Percentage				0.0%		0.0%			-9.1%		0.0%			-1.1%	

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
(COUNTY OF MIDDLESEX, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2016

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 6,988,076 (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ - (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ - (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 555,330 (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 6,432,746 (B3)</u>
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 128,655 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000 (B5)
Increased by: Allowable Adjustment *	\$ _____ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	<u>\$ 250,000 (M)</u>

SECTION 2

Total General Fund - Fund Balances @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,878,772 (C)
Decreased by:	
Year-end Encumbrances	\$ 111,115 (C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$ _____ - (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Other Restricted Fund Balances ****	\$ _____ - (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year's Expenditures	\$ _____ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 1,767,657 (U1)</u>
Excess Surplus at June 30, 2016	<u>\$ 1,517,657</u>

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ _____ - (E)
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Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Reserved Excess Surplus ***[(E)]	\$ _____ - (E)
Total Excess Surplus [(C3) + (E)]	<u>\$ _____ - (D)</u>

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."