

**UNIVERSITY HEIGHTS
CHARTER SCHOOL**

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

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

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Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
University Heights 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 University Heights 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 University Heights 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

UNIVERSITY HEIGHTS CHARTER SCHOOL
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Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Falkowski	Board Secretary/School Business Administrator	\$240,000

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 \$3,000,000.

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 the 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 indicate any discrepancies with respect to signatures, certification or supporting documentation.

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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 designee in the Charter School and were certified by the President of the Board of Trustees, the School Business Administrator and the 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

Test of Employees Personnel Folders

Observation

During our test of personnel information, we selected 15 employees and noted that certain documentations were missing in the personnel folders of some of those employees.

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. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 6A:23-2.2(g) 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:23 A-8.3. As a result of the procedures performed, no transaction error rate was noted.

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Instructional Expense

Observation

We performed the percentage test for instructional expenses in relation to the general fund expenditures; we noted that the instructional expenses accounted for 56.58% of the total general fund expenditures, which is slightly lower than the required percentage of 60%.

Board Secretary's Records

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

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.

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

The E.S.E.A/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 through VI of the Elementary and Secondary Education Act as amended.

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.

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.

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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.

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, amended.

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 food services were maintained in satisfactory condition. 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.

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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.

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

The Charter School uses a vended meal company. We noted that the Charter School deposited and expended food program monies in accordance with N.J.S.A 18A:17-34, and 19-1 through 19-4.1.

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.

Student Body Activities

Our audit revealed some student body activities during the fiscal year ended June 30, 2017 which were accounted for in separate bank accounts.

Enrollment Counts and Submission to the Department

Our audit procedures included test of information reported on the October 15th, and the last day of school for on-roll, special education, bilingual and low income. We also performed a review of the Charter School procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data.

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Follow-up on Prior Year's Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There was only one finding in the prior year's 2016 and was corrected.

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.

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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	13,201	13,201	-	0.36	\$ -
	Reduced	-	-	-	2.84	-
	Free	87,563	87,563	-	3.30	-
	Total	<u>100,764</u>	<u>100,764</u>	<u>-</u>		<u>-</u>
School Breakfast	Paid	4,609	4,609	-	0.29	-
	Reduced	-	-	-	1.74	-
	Free	30,579	30,579	-	2.04	-
	Total	<u>35,188</u>	<u>35,188</u>	<u>-</u>		<u>-</u>
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	19,757	19,757	-	0.86	-
	Total	<u>19,757</u>	<u>19,757</u>	<u>-</u>		<u>-</u>
Total Net (Over)/Underclaim						<u><u>\$ -</u></u>

UNIVERSITY HEIGHTS 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
Pre-Kindergarten	81	40	40	-	40	-	-	-	-	-	-	33	33	-
Kindergarten	118	49	49	-	49	-	1	1	-	1	-	39	39	-
One	74	34	34	-	34	-	1	1	-	1	-	29	29	-
Two	80	48	48	-	48	-	9	9	-	9	-	40	40	-
Three	76	41	41	-	41	-	3	3	-	3	-	32	32	-
Four	70	40	40	-	40	-	7	7	-	7	-	34	34	-
Fifth	74	33	33	-	33	-	4	4	-	4	-	26	26	-
Sixth	48	25	25	-	25	-	2	2	-	2	-	26	26	-
Seventh	48	29	29	-	29	-	8	8	-	8	-	24	24	-
Eight	50	26	26	-	26	-	4	4	-	4	-	22	22	-
Total	719	365	365	0	365	0	39	39	0	39	0	305	305	0
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

UNIVERSITY HEIGHTS 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
Pre-Kindergarten	74	36	36	-	36	-	0	-	-	-	-	41	41	-
Kindergarten	118	66	66	-	66	-	2	2	-	2	-	36	36	-
One	72	37	37	-	37	-	2	2	-	2	-	30	30	-
Two	78	33	33	-	33	-	4	4	-	4	-	37	37	-
Three	75	35	35	-	35	-	5	5	-	5	-	42	42	-
Four	69	34	34	-	34	-	4	4	-	4	-	35	35	-
Fifth	73	40	40	-	40	-	6	6	-	6	-	27	27	-
Sixth	47	23	23	-	23	-	3	3	-	3	-	28	28	-
Seventh	46	19	19	-	19	-	4	4	-	4	-	22	22	-
Eight	49	24	24	-	24	-	2	2	-	2	-	24	24	-
Total	701	347	347	0	347	0	32	32	0	32	0	322	322	0
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

**UNIVERSITY HEIGHTS 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		Cash & Cash Equiv.	\$ 59,519
B-4		Due from Other Gov'ts	60,051
B-4		Accounts Receivable	-
B-4		Investments	-
CAFR		Current Liabilities	
B-4		Less Accounts Payable	-
B-4		Less Accruals	-
B-4		Less Due to Other Funds	(82,616)
B-4		Less Deferred Revenue	-
		Net Cash Resources	\$ 36,954 (A)

Net Adj. Total Operating Expense:

B-5		Tot. Operating Exp.	347,770	
B-5		Less Depreciation	-	
		Adj. Tot. Oper. Exp.	\$ 347,770 (B)	

Average Monthly Operating Expense:

	B / 10		\$ 34,777 (C)	
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Three times monthly Average:

	3 X C		\$ 104,331 (D)	
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TOTAL IN BOX A	\$	36,954	
LESS TOTAL IN BOX D	\$	(104,331)	
NET	\$	(67,377)	

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