

**INDEPENDENT AUDITOR'S MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

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

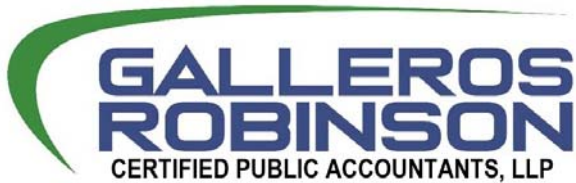
JUNE 30, 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS LLP**

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

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INDEPENDENT AUDITOR'S 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, 2019, and have issued our report thereon dated November 13, 2019.

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.

A handwritten signature in black ink that reads "Leonora Galleros".

Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400

A handwritten signature in black ink that reads "Galleros Robinson CPAs, LLP".

Galleros Robinson CPAs, LLP
Certified Public Accountants

November 13, 2019
Cream Ridge, New Jersey

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

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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 Academy for Urban Leadership 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>
Johnny Rosa	School Business Administrator	\$180,000
Patrick J. De Blasio	Treasurer	\$180,000

Adequate insurance is in effect with a duly licensed and authorized insurance company for all employees for the faithful performance of their duties.

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.

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.

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

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

Financial Planning, Accounting, and Reporting - Continued

Payroll Account - continued

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.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2019, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable, no exception noted.

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.

Finding No. 2019-001*

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 55.43%)

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

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

Financial Planning, Accounting, and Reporting - Continued

Classification of Expenditures - continued

Finding No. 2019-001*

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.

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared presented to the Board.

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 CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI 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.

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.

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

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

Financial Planning, Accounting, and Reporting - Continued

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for 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 subsequent to the end of the 60-day grant liquidation period, and subsequent to the 90 days required by N.J.S.A. 18A:66-90.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$19,000 for 2018-19.

The district board of education/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.

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

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

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

School Food Service - Continued

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 and noted the following:

Finding 2019-002

In our review of enrollment and student records, we noted the following:

- a. Three students were classified as Special Education in CHE but IEP as of October 15, 2018 were not located.
- b. One student classified as Special Education in CHE should have been classified as Speech only based on student records.
- c. There were 41 students classified as "free" and 18 students classified as "reduced" in the CHE cannot be verified due to lack of supporting State of New Jersey Household Information Survey for CEP Schools, which were not returned by to the Charter School. This, however, did not have an effect on the food service claims because the Charter School is an approved CEP School.

Recommendation

We recommend that the Charter School reviews the System entries for accurate posting of student information in the System and improve filing of student records. Reconciliation and review procedures of information should also be conducted on a periodic basis.

Student Body Activities

Student activities during the fiscal year ended June 30, 2019 were accounted for. No exceptions were noted in this area.

Facilities and Capital Assets

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

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

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

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 all prior year recommendations. Repeat recommendations are identified with an asterisk (*). All other recommendations had been addressed through corrective actions.


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, CPA
Public School Accountant
PSA No. 20CS00239400



Galleros Robinson CPAs, LLP
Certified Public Accountants

November 13, 2019
Cream Ridge, New Jersey

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2018**

Grades	Submission to DOE Reported		50% Verification required 10/15/2018				Verified Signed Registration		Submission to DOE Reported Special Ed/ Verified			Verified #days Service		Low Verified		
	On Roll	workpapers	Errors	10/15/2018	Forms	Errors	Enrolled	Errors	Bilingual	Documentation	Errors	Provided	Errors	Income	Dcumentation	Errors
Seven	67	67	0	34	34	0	34	0	2	2	0	2	0	20	20	0
Eight	101	101	0	51	51	0	51	0	3	2	1	2	0	44	39	5
Nine	97	97	0	49	49	0	49	0	1	1	0	1	0	39	34	5
Ten	104	104	0	52	52	0	52	0	1	1	0	1	0	41	35	6
Eleven	88	88	0	44	44	0	44	0	1	0	1	0	0	33	29	4
Twelve	95	95	0	48	48	0	48	0	2	2	0	2	0	39	32	7
Total	552	552	0	278	278	0	278	0	10	8	2	8	0	216	189	27
Percentage			0.0%			0%		0%			20%		0%			13%

**ACADEMY FOR URBAN LEADERSHIP CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 25, 2019**

Grades	Submission to DOE Reported		50% Verification required 6/25/2019			Verified Signed Registration Forms		Verified #days Enrolled		Submission to DOE Reported Special Ed/ Bilingual			Verified Documentation		Verified #days Service Provided		Low Income Verified Documentation		
	On Roll	workpapers	Errors	6/25/2019	Forms	Errors	Enrolled	Errors	Bilingual	Documentation	Errors	Provided	Errors	Income	Documentation	Errors			
Seven	69	69	0	35	35	0	35	0	1	1	0	1	0	19	19	0			
Eight	100	100	0	50	50	0	50	0	1	1	0	1	0	43	38	5			
Nine	97	97	0	49	49	0	49	0	1	1	0	1	0	38	32	6			
Ten	102	102	0	51	51	0	51	0	2	2	0	2	0	40	34	6			
Eleven	88	88	0	44	44	0	44	0	2	1	1	1	0	33	29	4			
Twelve	95	95	0	48	48	0	48	0	2	2	0	2	0	39	33	6			
Total	551	551	0	277	277	0	277	0	9	8	1	8	0	212	185	27			
Percentage			0.0%			0%		0%			11%		0%			13%			

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

EXCESS SURPLUS CALCULATION

June 30, 2019

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>9,960,699</u>	(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	\$ <u>1,038,578</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>8,922,121</u>	(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ <u>178,442</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment *	\$ _____	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>250,000</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>2,659,503</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>897,033</u>	(C1)
Legally Restricted – Designated for Subsequent Year's Expenditure	\$ _____	(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>1,762,470</u>	(U1)
Excess Surplus at June 30, 2019	\$ <u>1,512,470</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, 2019

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

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."

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

AUDIT RECOMMENDATIONS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2019

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting*

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

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Application for State Aid

Not Applicable.

VII. Charter School Enrollment System/Charter School Aid

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

VIII. Pupil Transportation

Not Applicable.

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

AUDIT RECOMMENDATIONS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2019

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior year recommendations. Corrective actions had been completed or are still in process on prior findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation. Repeat recommendations are identified with an asterisk (*).