

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

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

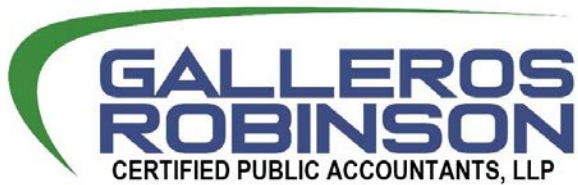
JUNE 30, 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditor’s Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims.....	2
Payroll Account	3
Reserve for Encumbrances and Accounts Payable	4
Travel Policy.....	4
Classification of Expenditures.....	4
▪ General Classification	
▪ Administrative Classification	
Board Secretary’s Records.....	4
Treasurer’s Records	5
Elementary and Secondary Education Act as amended by the Every Student Succeeds Act (ESSA).....	6
Other Special Federal and/or State Projects.....	6
T.P.A.F. Reimbursement	6
T.P.A.F. Reimbursement to the State of Federal Salary Expenditures.....	6
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	7
School Food Service	7
Charter School Enrollment System/Charter School Aid	8
Facilities and Capital Assets	8
Miscellaneous	
Testing for Lead of All Drinking Water in Educational Facilities	8
Restricted Cash.....	8
Follow-up on Prior Year Findings	9
Acknowledgment	9
Schedule of Meal Count Activity	N/A
Schedule of Audited Enrollments	10
Excess Cash Surplus Calculation	12
Audit Recommendations Summary	13



INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of Board of Trustees
Achieve Community Charter School
County of Essex, 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 Achieve Community Charter School (the "Charter School") in the County of Essex, State of New Jersey for the year ended June 30, 2019, and have issued our report thereon dated December 18, 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.

Leonora Galleros

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

Galleros Robinson CPAs, LLP

Galleros Robinson CPAs, LLP
Certified Public Accountants

December 18, 2019
Cream Ridge, New Jersey

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, 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 Achieve Community 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)

Finding 2019-001*

The Charter School's officials did not have the required surety bond of \$49,332 as required in the schedule set forth in *N.J.A.C. 6A:23A-16.4*.

Recommendation

The Charter School should obtain the surety bond as required in the schedule set forth in *N.J.A.C. 6A:23A-16.4*.

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 did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Examination of Claims - continued

Finding 2019-002* (CAFR Finding 2019-002)

In our review of claims, we noted the following:

- a. Supporting documents for 21 of 40 sample claims paid were not on file.
- b. There were 16 of 19 claims examined have purchase order dates that is the same or after the invoice dates.
- c. One of 19 sample claims provided did not have evidence of SBA approval.
- d. One out of 19 sample claims examined did not have a signed vendor certification.
- e. Purchase orders for 2 of 19 sample claims provided did not have purchase orders on file.

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 not 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.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld 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.

Finding 2019-003 (CAFR Finding 2019-002)

Net salaries of all employees, employees' payroll deductions and employer's share of fringe benefits including payroll processing fees are all deposited in the Payroll Agency Bank Account. The Charter School has a bank account established for Net Payroll but it is not being used.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Recommendation

N.J.S.A. 18A:19-10 requires the board secretary to draw and deposit the warrants in separate bank accounts as a net payroll account and an agency account for payroll deductions and associated board contributions (agency account). We recommend that the Charter School make necessary changes to comply with the provisions of N.J.S.A. 18A:19-10.

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 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, we noted no deviations in expenditure of administrative coding classification.

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 2019-004* (CAFR Finding 2019-002)

The interfund receivables and payables were not reconciled at year-end. Interfund receivables and payables were also recorded as part of cash even if it was not yet settled. 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.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Finding 2019-005 (CAFR Finding 2019-002)

Payroll agency and net payroll transactions monitored through spreadsheets and through monthly Treasurer's reports. However, there were differences noted in the year-end balances.

Recommendation

Payroll agency transactions and net payroll should be accounted should be reconciled periodically and at year-end as part of the post-closing process to ensure accuracy of balances.

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared and were presented to the Board by the School Business Administrator/Board Secretary.

Finding 2019-006 (CAFR Finding 2019-001)

We noted the following in the monthly reports and reconciliations:

- a. There was no monthly bank reconciliation for three (3) bank accounts with minor cash balances. These accounts were not included in the Monthly Account Reconciliation Reports.
- b. Outstanding checks at year end included 31 checks written but not issued as of June 30, 2019. These were reclassified to accounts payable.
- c. Unsettled interfund payable and/or receivables are recorded as cash adjustments instead of interfund receivable or payable. Adjusting journal entries were proposed to correct.
- d. Deposit in-transit includes checks issued in fiscal year 2018 that cleared in 2019. Reconciliation were updated to exclude these in the reconciling items.
- e. A transfer of cash from one general fund cash account to another cash account was recorded as a receipt and a revenue transaction. An adjusting journal entry was proposed and recorded to reverse the transaction.

Recommendation

Cash records should be reconciled with the monthly bank statements for all bank accounts and the review receipts and disbursements of the Board Secretary. Reconciling items and differences should be reviewed and investigated for proper disposition.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

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 (T.P.A.F.) 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

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the 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 prior to the end of the 90-day grant liquidation period required by the Office of Grants Management.

Finding 2019-007

The Charter School did not submit 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.

Recommendation

The Charter School need to identify TPAF-member employees whose salaries are identified as being paid from federal grants and submit payment timely.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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

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 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 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 School Food Authority (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.

Non-program foods were not purchased, prepared, sold or offered for sale by the Charter School.

We note that the School Food Service has incurred operating losses. As of June 30, 2019, the accumulated deficit is \$34,392. Increasing the appropriation in the general fund for a budgetary transfer out to the Food Service Fund should be considered during fiscal year 2020 if other revenue sources will not increase.

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

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

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

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.

Facilities and Capital Assets

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

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.

Restricted Cash

Finding 2019-008*

The Charter School does not have an Escrow Account established for a minimum of \$75,000 pursuant to an agreement signed with the New Jersey Department of Education.

Recommendation

The Charter School need to establish an escrow account for \$75,000 to comply with the agreement signed with the New Jersey Department of Education.

Follow-up on Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified as repeat (*) or partially similar to findings in this year's recommendation.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, 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

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

Galleros Robinson CPAs, LLP

Galleros Robinson CPAs, LLP
Certified Public Accountants

December 18, 2019
Cream Ridge, New Jersey

**ACHIEVE COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2018**

Grades	Submission to DOE			50% Verification					Submission to DOE					Low Income		
	Reported On Roll	Reported on workpapers	Errors	required 10/15/18	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed/ Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Income	Verified Documentation	Errors
Kindergarten	51	51	0	25	25	0	25	0	1	1	0	1	0	21	21	0
One	63	63	0	31	31	0	31	0	2	2	0	2	0	28	28	0
Two	42	42	0	21	21	0	21	0	2	2	0	2	0	17	17	0
Five	55	55	0	28	28	0	28	0	2	2	0	2	0	23	23	0
Total	211	211	0	105	105	0	105	0	7	7	0	7	0	89	89	0
Percentage			0.0%			0%		0%			0%		0%			0%

**ACHIEVE COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 25, 2019**

Grades	Submission to DOE			50% Verification					Submission to DOE					Low Income		
	Reported On Roll	Reported on workpapers	Errors	required 6/30/19	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed/ Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Income	Documentation	Errors
Kindergarten	59	59	0	30	30	0	30	0	2	2	0	2	0	19	19	0
One	63	63	0	32	32	0	32	0	2	2	0	2	0	28	28	0
Two	41	41	0	21	21	0	21	0	1	1	0	1	0	18	18	0
Five	60	60	0	30	30	0	30	0	3	3	0	3	0	23	23	0
Total	223	223	0	113	113	0	113	0	8	8	0	8	0	88	88	0
Percentage			0.0%			0%		0%			0%		0%			0%

**ACHIEVE COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, 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	\$ 3,214,972 (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	\$ 99,885 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 3,115,087 (B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 62,302 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000 (B5)
Increased by: Allowable Adjustment *	\$ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 250,000 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ (22,208) (C)
Decreased by:	
Year-end Encumbrances	\$ 264,007 (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)]	\$ (286,215) (U1)
Excess Surplus (Deficiency) at June 30, 2019	\$ (536,215)

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, 2018

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."

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATION SUMMARY - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

I. Administrative Practices and Procedures

1. The Charter School should obtain the surety bond as required in the schedule set forth in N.J.A.C. 6A:23A-16.4.

II. Financial Planning, Accounting and Reporting

2. 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.
3. We recommend that reconciliation of interfund accounts should be completed periodically and reconciled at year-end.
4. N.J.S.A. 18A:19-10 requires the board secretary to draw and deposit the warrants in separate bank accounts as a net payroll account and an agency account for payroll deductions and associated board contributions (agency account). We recommend that the Charter School make necessary changes to comply with the provisions of N.J.S.A. 18A:19-10.
5. Payroll agency transactions and net payroll should be accounted for in the Charter School's accounting system and interfund receivable and payables be recorded in the correct balance sheet accounts and not cash if it was not yet received or paid by other funds.
6. Cash records should be reconciled with the reconciled bank statements for all bank accounts and the review receipts and disbursements of the Board Secretary.
7. The Charter School need to identify TPAF-member employees whose salaries are identified as being paid from federal grants and submit payment timely.

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

**ACHIEVE COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATION SUMMARY - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2019

VI. Application for State School Aid

N/A.

VII. Charter School Enrollment System (CHE)

There are none.

VIII. Pupil Transportation

N/A.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

8. The Charter School need to establish an escrow account for \$75,000 to comply with the agreement signed with the New Jersey Department of Education.

XI. Status of Prior Year Finding

Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified as repeat (*) or partially similar to findings in this year's recommendation.