

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

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC**

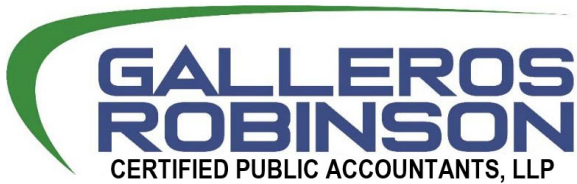
JUNE 30, 2019

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

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INDEPENDENT AUDITOR'S REPORT


Honorable President and
Classical Academy Charter School of Clifton
County of Passaic, 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 Classical Academy Charter School of Clifton (the "Charter School") in the County of Passaic, State of New Jersey for the year ended June 30, 2019, and have issued our report thereon dated December 12, 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, CPA
Public School Accountant
PSA No. 20CS00239400


Galleros Robinson CPAs, LLP
Galleros Robinson CPAs, LLP
Certified Public Accountants

December 12, 2019
Cream Ridge, New Jersey

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, 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 Classical Academy Charter School of Clifton (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>
Hector Berrios	Board Secretary	\$150,000

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. The following exceptions were noted:

Finding 2019-001 (CAFR Finding 2019-001)

During our disbursements testing, we observed the following:

- a. Two of 40 transactions tested do not have a signed vendor declaration
- b. 14 of 40 tested have purchase orders have no evidence of approval
- c. Seven of 40 transactions tested have invoice dates that are earlier than the purchase order dates.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Finding 2019-001 (CAFR Finding 2019-001) - 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.

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.

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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Classification of Expenditures - continued

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. No exception was noted.

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. We noted exceptions as follows:

Finding No. 2019-002*

In our review of the Charter School's instructional expense ratio to the total expenditures, we noted that it is below the 60% (45.68%) minimum threshold.

Recommendation

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

Treasurer's Records

Finding 2019-003 (CAFR Finding 2019-001)

The School has a treasurer but only July 2018 and August 2018 were reported. All the other months, Treasurer's Report were prepared and presented by the School Business Administrator. We also noted that the book balances of cash in general fund and student activity fund do not agree with the adjusted balance per the bank reconciliation for June 30, 2019.

Although the Treasurer's position is optional, required reports must be prepared and reviewed by a board designated personnel other than the board secretary for purposes of segregation of duties.

Recommendation

We recommend that the board designate personnel other than the board secretary to prepare or review accounts reconciliation of treasury records.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

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.

Teachers' Pension Annuity Fund (TPAF) Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district/charter school/renaissance school project employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to 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 school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

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

School Purchasing Programs - Continued

Contracts and Agreements Requiring Advertisement for Bids - continued

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

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 (CAFR Finding 2019-002)

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 noted below.

Finding No. 2019-004*

In our review of enrollment information as reported in State's system and as per school records, we noted that there were 21 students with missing birth certificate and/or proof of address on file. There were also two (2) students that were classified in CHE as SpEd but student records indicate that the students are Speech only students.

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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

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

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

Testing for lead of all drinking water in educational facilities was done during the fiscal year. However, the laboratory who performed the services was commissioned by the Passaic Valley Water Commission and not by the Charter School.

Follow-up on Prior Year's 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 (with asterisk *).

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

December 12, 2019
Cream Ridge, New Jersey

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2018**

Grades	Submission to DOE Reported On Roll		Reported on workpapers Errors			50% Verification required 10/15/18			Verified Signed Registration Forms Errors			Verified # days Enrolled Errors		Submission to DOE Reported Special Ed/ Bilingual			Verified Documentation Errors			Verified # days Service Provided Errors		Low Income Verified Documentation Errors						
Six	39		39	0		20	20	0		20	0		0	0	0		0	0		0	0		0	0	0		0	0
Seven	39		39	0		19	19	0		19	0		3	3	0		3	0		6	6	0		6	6	0		0
Eight	40		40	0		20	20	0		20	0		0	0	0		0	0		9	7	2		7	7	2		2
Total	118		118	0		59	59	0		59	0		3	3	0		3	0		15	13	2		13	13	2		2
Percentage				0.0%				0%			0%				0%			0%										13%

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 28, 2019**

Grades	Submission to DOE Reported On Roll		Reported on workpapers Errors			50% Verification required 6/30/19			Verified Signed Registration Forms Errors			Verified # days Enrolled Errors		Submission to DOE Reported Special Ed/ Bilingual			Verified Documentation Errors			Verified # days Service Provided Errors		Low Income Verified Dcumentation Errors							
Six	40		40	0		20	20	0		20	0		0	0	0		0	0		0	0		0	0	0		0	0	0
Seven	39		39	0		20	20	0		20	0		3	3	0		3	0		6	5		1						
Eight	40		40	0		20	20	0		20	0		0	0	0		0	0		8	8		0						
Total	119		119	0		60	60	0		60	0		3	3	0		3	0		14	13		1						
Percentage				0.0%				0%			0%				0%			0%										7%	

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
(COUNTY OF PASSAIC, 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>2,117,283</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>223,626</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>1,893,657</u> (B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ <u>37,873</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>751,009</u> (C)
Decreased by:	
Year-end Encumbrances	\$ <u>15,170</u> (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>735,839</u> (U1)
Excess Surplus at June 30, 2019	\$ <u>485,839</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."

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, 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

1. 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.
2. The Charter School needs to minimize its support and administrative expenses to increase its instructional expense ratio to total expenditures of 45.68% to the required 60%.
3. We recommend that the board designate personnel other than the board secretary to prepare required reports and maintain treasury records and book balances be adjusted in accordance with the reconciled balances.

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Charter School Enrollment System/Charter School Aid

4. 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.

VI. Pupil Transportation

Not Applicable.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
COUNTY OF PASSAIC, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2019

VII. Miscellaneous

There are none

VIII. Facilities and Capital Assets

There are none.

IX. 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.