

**UNIVERSITY HEIGHTS  
CHARTER SCHOOL**

**Auditors' Management Report  
On  
Administrative Findings  
Financial, Compliance  
And Performance  
June 30, 2022**

**UNIVERSITY HEIGHTS CHARTER SCHOOL**  
**Auditors’ Management Report On Administrative Findings**  
**Financial, Compliance and Performance**  
**For the Year Ended June 30, 2022**

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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, 2022, and have issued our report thereon dated January 31, 2023.

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. January 31, 2023

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*

January 31, 2023  
Newark, New Jersey

OLUGBENGA OLABINTAN  
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA  
Licensed Public School Accountant  
No. 20CS00230200

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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 ACFR.

**Official Bonds (N.J.S.A. 18A:17-32, 18A:13-13)**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount</u></b>
Ana Pfalzgraf	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.

**P.L.2020, Chapter 44**

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A. 18A:16-13.3 (Chapter 44) submitted for the year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The Charter School data certification was completed by the Chief School Administrator. The Charter School's Chapter 44 data was submitted timely.

**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.

**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.

**Board Secretary's Records**

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

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**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) 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 Annual Comprehensive Financial Report (ACFR). This section of the ACFR documents the financial position pertaining to the projects under Titles I through VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

**Other Special Federal and/or State Projects**

The Charter School's Special Projects were approved as listed on Schedule A (K-3) and Schedule B (K-4) located in the ACFR. 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 ACFR. This section of the ACFR 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. No exceptions noted.

**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. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

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**School Purchasing Programs**

Contracts and Agreements Requiring Advertising for Bids

*N.J.S.A.* 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the [NJ Local Agency Procurement Laws](http://www.njleg.state.nj.us/dca/divisions/dlgs/programs/lpcl.html). webpage: [state.nj.us/dca/divisions/dlgs/programs/lpcl.html](http://state.nj.us/dca/divisions/dlgs/programs/lpcl.html).

Current statute is posted on the [New Jersey Legislature](http://njleg.state.nj.us/) ([njleg.state.nj.us/](http://njleg.state.nj.us/)) website.

Effective July 1, 2020 and thereafter the bid thresholds in accordance with N.J.S.A 18A:18A-3 (as amended) and 18A:39-3 is \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public student transportation contract under N.J.S.A. 18A:39-3 is currently \$20,200 for 2021-2022.

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.

**School Food Service**

**PUBLIC HEALTH EMERGENCY**

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

Governor Murphy's emergency declaration ended June 4, 2021; however, the United States Department of Agriculture's (USDA's) federal waiver continued through June 30, 2022. Food Service Agencies operated under this federal waiver.

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As a result, School Food Authorities (SFA) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO). SFA could also choose to participate in the National School Lunch Program utilizing standard counting and claiming practices.

SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A.18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all students during the emergency.

The school food service program was not selected as a major federal program.

The school food service program was not selected as a major federal program. However, the program expenditures exceeded \$100,000 in federal 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 noted.

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 over-claims or under-claims. No exceptions 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 noted.

Non-program foods were not purchased, prepared, sold or offered for sale.

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan (PPP) and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

Net cash resources did not exceed three months average expenditures.



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

***Finding # 2022-001 – April 2022 Food Program Reimbursements Request Denied for Late Submission***

We noted that the April 2022 Food Program Reimbursements request was denied by the New Jersey Department of Agriculture. The denial was due to late submission of the request by the Charter School. The denied April 2022 reimbursements amounted to approximately \$62,000.

“In accordance with Title 7, Code of Federal Regulations, sections 210.8(b)(1), 225.9(d)(6), and 226.10(e), a final Claim for Reimbursement shall be postmarked or submitted to the state agency no later than 60 days following the last day of the full month covered by the claim. Claims not postmarked and/or submitted within 60 days shall not be paid with the program funds unless otherwise authorized by the U.S. Department of Agriculture (USDA), Food and Nutrition Service. New Jersey Department of Agriculture has the discretion to grant approval to sponsors of school nutrition programs, the Child and Adult Care Food Program, and the Summer Food Service Program that submit a request for a one-time exception to reimbursement claim deadline once every 36 months.”

***Recommendation:***

None required because of the charter revocation.

***Management Response***

None required because of the charter revocation.

**Student Body Activities**

Our audit revealed some student body activities during the fiscal year ended June 30, 2022 which were accounted for in separate bank accounts. Our review of the record of the Student Body Activities did not disclose any exceptions.

**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.

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***Finding 2022-002:***

As part of our audit we were required to conduct an audit of the two enrollment counts – October 15, 2021 and the last day of the school year in June 2022. The enrollment counts audit also included a review of the food program eligibility form for each student. All of the food program eligibility forms were not available for our audit. Further, special education folders for the special education students were not available for our audit. It is pertinent to note that the school's charter was revoked and it ceased operation as of June 30, 2022. This led to the return of all enrollment related documents to the respective resident districts of all students prior to June 30, 2022. Therefore, the documents were not available for the audit which was scheduled after June 30, 2022.

***Recommendation:***

None required because of the charter revocation.

***Management Response***

None required because of the charter revocation.

**Miscellaneous**

**Facilities and Capital Assets**

Our procedures included a review of policies and procedures adopted by the Charter School over its capital assets. We noted that acquisitions during the fiscal year ended June 30, 2022 met the capitalization threshold of \$2,000 set by the State of New Jersey's Department of Education for Charter Schools.

**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's Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations including findings. There were no findings in the prior year ended June 30, 2021

There were no audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) during the 2021-2022 fiscal year.

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**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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**Food Service Fund**  
**Number of Meals Served and (Over)/Underclaim**  
**Enterprise Fund**

Program	Meal Category	Meals Claimed	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch	Paid	-	-	-	-	\$ -
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	SSO	84,039	74,922	(9,117)	4.82	(43,898)
	Total		<u>84,039</u>	<u>74,922</u>	<u>(9,117)</u>	
School Breakfast	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	SSO	64,305	57,160	(7,145)	2.61	(18,648)
	Total		<u>64,305</u>	<u>57,160</u>	<u>(7,145)</u>	
National After School Snacks	Paid	-	-	-	-	-
	Reduced	-	-	-	-	-
	Free	-	-	-	-	-
	Total		<u>-</u>	<u>-</u>	<u>-</u>	
Total Net (Over)/Underclaim						<u>\$ (62,547)</u>

**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, 2022**

<u>Net Cash Resources:</u>		<b>Food Service B - 4/5</b>
<b>ACFR</b>	*	
		<b>Current Assets</b>
B-4		Cash & Cash Equiv. \$ 4,998
B-4		Due from Other Gov'ts 41,029
B-4		Accounts Receivable -
B-4		Investments -
		<b>Current Liabilities</b>
B-4		Less Accounts Payable -
B-4		Less Accruals -
B-4		Less Due to Other Funds (46,027)
B-4		Less Deferred Revenue -
		<b>Net Cash Resources</b>
		<b>\$ - (A)</b>
<u>Net Adj. Total Operating Expense:</u>		
B-5		Tot. Operating Exp. 713,706
B-5		Less Depreciation -
		Adj. Tot. Oper. Exp.
		<b>\$ 713,706 (B)</b>
<u>Average Monthly Operating Expense:</u>		
	B / 10	<b>\$ 71,371 (C)</b>
<u>Three times monthly Average:</u>		
	3 X C	<b>\$ 214,112 (D)</b>

TOTAL IN BOX A	\$	-	
LESS TOTAL IN BOX D	\$	(214,112)	
NET	\$	(214,112)	
From above:			
<b>D is greater than A, cash does not exceed 3 X average monthly operating expenses.</b>			

\* Inventories are not to be included in total current assets.

Source: Charter School's ACFR

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**Audit Recommendations Summary**

Findings and Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

*Finding # 2022-001 – April 2022 Food Program Reimbursements Request Denied for Late Submission - Approximately \$62,000.*

5. Student Body Activities

None

6. Application for State School Aid

*Finding # 2022-002 – Enrollment records returned to school districts. Not available for audit.*

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no findings in the prior year.