

JOHN P. HOLLAND CHARTER SCHOOL

**Auditors' Management Report
On
Administrative Findings
Financial, Compliance
And Performance
June 30, 2015**

JOHN P. HOLLAND CHARTER SCHOOL

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Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
John P. Holland Charter School
County of Passaic, 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 John P. Holland Charter School in the County of Passaic, for the year ended June 30, 2015, and have issued our report thereon dated November 24, 2015.

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 John P. Holland Charter School Board of Trustee's 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 24, 2015
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



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

JOHN P. HOLLAND CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2015

Scope of Audit

The audit covered the financial transactions of the Business Office, the activities of the Board of Trustees, and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-4, Insurance Schedule contained in the charter school's CAFR.

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> |
|---------------------|--|----------------------|
| Dr. Brian Falkowski | Board Secretary/School Business Administrator | \$135,000 |

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 \$1,000,000

Tuition Charges

A review of the financial statements indicated that the charter school charged no tuition for any student attending the Charter School.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicates certain discrepancies with respect to signatures, certification or supporting documentation.

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Finding # 2015-001

It is pertinent to note that items with discrepancies existed prior to hiring of a new School Business Administrator. Subsequent to the hiring of a new School Business Administrator internal controls have been strengthened.

During our test of purchasing transaction it was noted that several items did not have supporting documentation to ascertain proper expenditure classification, amounts ordered, amounts paid, and voucher compliance with School Business Administrator approval.

Recommendation:

None. The new School Business Administrator has strengthened internal controls.

Management Response:

Management has strengthened internal controls in the last six months of the period under audit and going forward. All supporting documentations are maintained on file for all disbursements.

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 and the School Business Administrator.

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

Finding # 2015-002 – Terminated Employees on Health Coverage:

During our test work, we noted that three (3) employees who were kept on the Charter School's insurance coverage after the employees had separated from the Charter School. Management explained that this was an isolated situation.

Recommendation:

We recommend that the Business Office should review and compare the list of employees per the Health Insurance billings to the payroll for each month before approving the monthly health premium billings for payment. Terminated employees should be removed from the list of coverage on a timely basis.

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Management Response:

Management agrees.

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) and line item details as described in the Budget Summary Key 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. As a result of the procedures performed, no transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

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 except as noted for NCLB above.

JOHN P. HOLLAND CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2015

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. No exceptions noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertising for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A 18A:18A-3 (as amended) and 18A:39-3 is \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$17,200.

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. However we noted the following:

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.

JOHN P. HOLLAND CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2015

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.

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 food service management 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 that all student body activities were properly accounted for during the fiscal year ended June 30, 2015.

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Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2015

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. However, we noted the following exceptions:

Follow-up on Prior Year's Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. The prior year's findings were 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.

JOHN P. HOLLAND CHARTER SCHOOL
Auditors' Management Report On Administrative Findings
Financial, Compliance and Performance
For the Year Ended June 30, 2015

Food Service Fund
Numbers For Meals Served and (Over)/Underclaim
Enterprise Fund
For the Year Ended June 30, 2015

| Program | Meal Category | Meals Claimed | Meals Verified | Difference | Rate | (Over) Under Claim |
|------------------------------|---------------|---------------|----------------|------------|------|--------------------------|
| National School Lunch | Paid | 512 | 512 | - | 0.40 | \$ - |
| | Reduced | 2,597 | 2,597 | - | 2.72 | - |
| | Free | 26,453 | 26,453 | - | 3.12 | - |
| | Total | <u>29,562</u> | <u>29,562</u> | <u>-</u> | | <u>-</u> |
| School Breakfast | Paid | 126 | 126 | - | 0.28 | - |
| | Reduced | 658 | 658 | - | 1.63 | - |
| | Free | 11,084 | 11,084 | - | 1.93 | - |
| | Total | <u>11,868</u> | <u>11,868</u> | <u>-</u> | | <u>-</u> |
| National After School Snacks | Paid | - | - | - | - | - |
| | Reduced | - | - | - | - | - |
| | Free | - | - | - | - | - |
| | Total | <u>-</u> | <u>-</u> | <u>-</u> | | <u>-</u> |
| Total Net (Over)/Underclaim | | | | | | <u><u>\$ -</u></u> |

JOHN P. HOLLAND CHARTER SCHOOL
Application for Charter School Aid
Schedule of Audited Enrollments
Enrollment Count as of October 15, 2014

| 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 |
|--------------|--|---------------------------|---------------------------------------|----------|--------------------------------|----------|-------------------------------|---------------------------|-----------|---|-----------|---------------|---------------------------|----------|
| Kindergarten | 22 | 11 | 11 | - | 11 | - | 1 | 1 | - | 1 | - | 11 | 11 | - |
| One | 27 | 14 | 14 | - | 14 | - | 0 | - | - | - | - | 13 | 13 | - |
| Two | 26 | 13 | 13 | - | 13 | - | 1 | 3 | (2) | 3 | (2) | 13 | 13 | - |
| Three | 24 | 12 | 12 | - | 12 | - | 0 | - | - | - | - | 13 | 13 | - |
| Four | 23 | 12 | 12 | - | 12 | - | 1 | 1 | - | 1 | - | 11 | 11 | - |
| Five | 26 | 13 | 13 | - | 13 | - | 1 | 1 | - | 1 | - | 13 | 13 | - |
| Six | 21 | 11 | 11 | - | 11 | - | 1 | 2 | (1) | 2 | (1) | 11 | 11 | - |
| Seven | 26 | 13 | 13 | - | 13 | - | 1 | 2 | (1) | 2 | (1) | 12 | 12 | - |
| Eight | 21 | 11 | 11 | - | 11 | - | 2 | 2 | - | 2 | - | 11 | 11 | - |
| Total | 216 | 110 | 110 | 0 | 110 | 0 | 8 | 12 | -4 | 12 | -4 | 108 | 108 | 0 |
| Percentage | | | | 0.00% | | 0.00% | | | -50.00% | | -50.00% | | | 0.00% |

JOHN P. HOLLAND 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 |
|--------------|--|---------------------------|---------------------------------------|----------|--------------------------------|----------|-------------------------------|---------------------------|-----------|---|-----------|---------------|---------------------------|----------|
| Kindergarten | 22 | 11 | 11 | - | 11 | - | 1 | 1 | - | 1 | - | 11 | 11 | - |
| One | 23 | 13 | 13 | - | 13 | - | 1 | 1 | - | 1 | - | 13 | 13 | - |
| Two | 23 | 13 | 13 | - | 13 | - | 0 | - | - | - | - | 13 | 13 | - |
| Three | 22 | 12 | 12 | - | 12 | - | 1 | 1 | - | 1 | - | 12 | 12 | - |
| Four | 20 | 11 | 11 | - | 11 | - | 0 | - | - | - | - | 10 | 10 | - |
| Five | 26 | 13 | 13 | - | 13 | - | 2 | 2 | - | 2 | - | 12 | 12 | - |
| Six | 20 | 10 | 10 | - | 10 | - | 3 | 3 | - | 3 | - | 10 | 10 | - |
| Seven | 25 | 13 | 13 | - | 13 | - | 1 | 2 | (1) | 2 | (1) | 11 | 11 | - |
| Eight | 20 | 10 | 10 | - | 10 | - | 2 | 2 | - | 2 | - | 10 | 10 | - |
| Total | 201 | 106 | 106 | 0 | 106 | 0 | 11 | 12 | -1 | 12 | -1 | 102 | 102 | 0 |
| Percentage | | | | 0.00% | | 0.00% | | | -9.09% | | -9.09% | | | 0.00% |

**JOHN P. HOLLAND 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, 2015

| <u>Net Cash Resources:</u> | Food Service B - 4/5 | |
|--|-------------------------------------|-----------------------------|
| CAFR * | | Current Assets |
| B-4 | \$ 107,243 | Cash & Cash Equiv. |
| B-4 | 22,540 | Due from Other Gov'ts |
| B-4 | - | Accounts Receivable |
| B-4 | - | Investments |
| CAFR | | Current Liabilities |
| B-4 | (10,617) | Less Accounts Payable |
| B-4 | - | Less Accruals |
| B-4 | - | Less Due to Other Funds |
| B-4 | - | Less Deferred Revenue |
| | <u>\$ 119,166</u> | Net Cash Resources |
| | | (A) |
| <u>Net Adj. Total Operating Expense:</u> | | |
| B-5 | 133,851 | Tot. Operating Exp. |
| B-5 | - | Less Depreciation |
| | <u>\$ 133,851</u> | Adj. Tot. Oper. Exp. |
| | | (B) |
| <u>Average Monthly Operating Expense:</u> | | |
| | <u>\$ 13,385</u> | B / 10 |
| | | (C) |
| <u>Three times monthly Average:</u> | | |
| | <u>\$ 40,155</u> | 3 X C |
| | | (D) |

| | | |
|--|------------------|--|
| TOTAL IN BOX A | \$ 119,166 | |
| LESS TOTAL IN BOX D | \$ (40,155) | |
| NET | <u>\$ 79,011</u> | |
| 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