

**HOPE COMMUNITY CHARTER SCHOOL**

Camden, New Jersey  
County of Camden

**Auditor's Management Report on Administrative Findings -  
Financial, Compliance and Performance  
FOR THE YEAR ENDED JUNE 30, 2015**



**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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**REPORT OF INDEPENDENT AUDITORS -  
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE**

Honorable President and Members  
of the Board of Trustees  
Hope Community Charter School  
County of Camden  
Camden, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the general purpose financial statements of the Board of Education of the Hope Community Charter School in the County of Camden for the year ended June 30, 2015, and have issued our report thereon dated December 21, 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 Hope Community Charter School's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Medford, New Jersey  
December 21, 2015

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Honorable President and Trustees of the  
Hope Community Charter School  
County of Camden  
Camden, New Jersey

**ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**Scope of Audit**

The audit covered the financial transactions of the Business Office/School Business Administrator, 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-20, Insurance Schedule contained in the Hope Community Charter School's CAFR.

**Official Bonds**

<b>Name</b>	<b>Position</b>	<b>Amount</b>
Steven Gilmartin	Board Secretary	\$160,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$50,000.

**Tuition Charges**

A review of the financial statements indicated that the School charged no tuition for any students attending the School.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims paid during the period under review indicated that the vouchers were in satisfactory condition.

## **Payroll Account**

The net salaries of all employees of the Charter School were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the Payroll agency account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

The following exceptions were noted:

### **Finding 2015-001:**

It was noted during our audit that the Charter School's tax exempt status was revoked due to the failure to file proper federal tax returns. The Charter School is currently in the process of applying for the reinstatement of their tax exempt status with the IRS.

### **Recommendation:**

That the Charter School promptly completes their application for the reinstatement of their tax exempt status and ensures that future tax returns (form 990) are filed timely.

## **Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

## **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C.6:20-2(M)* 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 errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

## **Board Secretary's Records**

Our review of the financial and accounting records maintained by the Board Secretary were found to be in satisfactory condition.

## **Treasurer's Records**

The Treasurer's records were reviewed and found to be in satisfactory condition with no exceptions noted.



**Elementary and Secondary Education Act (E.S.E.A.)/Improving America’s Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001.**

The E.S.E.A./N.C.L.B. 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, II, IV and Title 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 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.

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 (electronic, but Charter Schools can print out the DOENET for an auditor) forms filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement 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 website <http://www.state.nj.us/njded/pscl/index.html>.

*N.J.S.A.18A:18A-3* states:

- a) "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a
- b) resolution to set a lower threshold for the receipts of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:119) the board of education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- c) Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.18A:18A-2 (pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made."

## **School Purchasing Programs (continued):**

c) *N.J.S.A.18A:18A-4* states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to *N.J.S.A.18A:18A-3* except by contract or agreement."

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A.18A:18A-2* and *18A:18A-3(a)* are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 currently \$18,300.

The Board of Trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year (contract year for July 1, 2010 and thereafter).

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", 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*.

The system of records did not provide for an accumulation of purchases for which the School Board 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.

## **School Food Service**

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition.

Cash receipts and bank records were reviewed for timely deposit.

The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The number of meals claimed for reimbursements were verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and

**School Food Service (continued):**

free milk policy is uniformly administered throughout the School System. 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 costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education.

The cash disbursements records reflected expenditures for program related goods and services. Districts with food service management companies are depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and *19-1* through *19-4.1*. The appropriate revenue and expenditure records were maintained in order to substantiate the nonprofit status of the school food service. Net cash resources did not exceed three months average expenditures.

Food Distribution Program commodities were received and a single inventory was maintained on a first-in, first-out basis.

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

**Enrollment Counts and Submissions to the Department**

Our audit procedures included tests of enrollment information reported on October 15, 2014 and June 30, 2015 for on-roll, special education, and low-income.

**Follow-up on Prior Years' Findings**

In accordance with government auditing standards, our procedures included a review of all prior year findings. Corrective action was taken on the prior year finding.

**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 the audit team.

Should you have any questions concerning our comments or should you desire any assistance, please call us.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Medford, New Jersey  
December 21, 2015

**ADDITIONAL INFORMATION**

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HOPE COMMUNITY CHARTER SCHOOL  
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE  
FOR FISCAL YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2014	CASH RECEIVED	BUDGETARY EXPENDITURES	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2015	UNEARNED REVENUE AT JUNE 30, 2015
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED-THROUGH STATE DEPARTMENT OF EDUCATION:</b>								
National School Breakfast Program	10.553	\$ 18,395	7/1/13-6/30/14	\$ (1,481)	\$ 1,481	\$ -	\$ -	-
National School Breakfast Program	10.553	32,609	7/1/14-6/30/15	-	29,846	(32,609)	(2,763)	-
National School Lunch Program	10.555	42,597	7/1/13-6/30/14	(3,901)	3,901	-	-	-
National School Lunch Program	10.555	69,643	7/1/14-6/30/15	-	63,249	(69,643)	(6,394)	-
Health Hunger Free Kids Act	10.583	682	7/1/13-6/30/14	(82)	82	-	-	-
Health Hunger Free Kids Act	10.583	1,426	7/1/14-6/30/15	-	1,296	(1,426)	(130)	-
Snack Program	10.557	11,733	7/1/13-6/30/14	(1,075)	1,075	-	-	-
Snack Program	10.557	17,676	7/1/14-6/30/15	-	17,676	(17,676)	-	-
Total U.S. Department of Agriculture				(6,539)	118,606	(121,354)	(9,287)	-

**THROUGH STATE DEPARTMENT OF EDUCATION:**

Title I, Part A	84.010	49,379	9/1/13-6/30/14	(46,235)	46,235	-	-	-
Title I, Part A	84.010	190,395	9/1/14-6/30/15	-	82,176	(186,571)	(104,395)	-
Title II, Part A	84.010	962	9/1/13-6/30/14	(962)	-	-	(962)	-
Title II, Part A	84.010	785	9/1/14-6/30/15	-	-	(785)	(785)	-
I.D.E.A. Part B, Basic	84.027	21,758	9/1/14-6/30/15	-	21,758	(21,604)	-	154
Charter School Implementation- Phase I	84.282A	175,000	11/1/13-10/31/14	36,539	80,865	(101,969)	-	15,435
Charter School Implementation- Phase II	84.282A	100,000	11/1/14-10/31/15	-	-	(38,697)	(38,697)	-
Total U.S. Department of Education				(10,658)	231,034	(349,626)	(144,839)	15,589
Total Federal Financial Assistance				\$ (17,197)	\$ 349,640	\$ (470,980)	\$ (154,126)	\$ 15,589

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**SCHEDULE OF AUDITED ENROLLMENTS (1)**

**HOPE COMMUNITY CHARTER SCHOOL  
CHARTER SCHOOL ENROLLMENT  
AS OF OCTOBER 15, 2014**

	2014-2015 Charter School Enrollment			Sample for Verification			Errors per		
	Reported on CHE On Roll	Reported on Workpapers On Roll	Sample Selected from Workpapers	Registers On Roll	Verified per Registers On Roll	Registers On Roll	Full	Shared	Errors per Registers On Roll
Full Time Kindergarten									
One	44	44	40	-	40	-	-	-	-
Two	81	81	50	-	50	-	-	-	-
	49	49	24	-	24	-	-	-	-
Subtotal	174	174	114	-	114	-	-	-	-
Special Ed - Elementary	19	19	6	-	6	-	-	-	-
Subtotal	19	19	6	-	6	-	-	-	-
Totals	193	193	120	-	120	-	-	-	-
Percentage Error									-

**AS OF JUNE 30, 2015**

	2014-2015 Charter School Enrollment			Sample for Verification			Errors per		
	Reported on CHE On Roll	Reported on Workpapers On Roll	Sample Selected from Workpapers	Registers On Roll	Verified per Registers On Roll	Registers On Roll	Full	Shared	Errors per Registers On Roll
Full Time Kindergarten									
One	48	48	40	-	40	-	-	-	-
Two	82	82	50	-	50	-	-	-	-
	49	49	19	-	19	-	-	-	-
Subtotal	179	179	109	-	109	-	-	-	-
Special Ed - Elementary	22	22	6	-	6	-	-	-	-
Subtotal	22	22	6	-	6	-	-	-	-
Totals	201	201	115	-	115	-	-	-	-
Percentage Error									-

SCHEDULE OF AUDITED ENROLLMENTS (2)

HOPE COMMUNITY CHARTER SCHOOL  
 CHARTER SCHOOL ENROLLMENT  
 AS OF JUNE 30, 2015

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on CHE Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application & Register	Sample Errors	Reported on CHE LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score & Register	Sample Errors
Full Time Kindergarten	44	44	-	30	30	-	-	-	-	-	-	-
One	79	79	-	40	40	-	-	-	-	-	-	-
Two	48	48	-	43	43	-	-	-	-	-	-	-
Subtotal	171	171	-	113	113	-	-	-	-	-	-	-
Special Ed - Elementary	21	21	-	6	6	-	-	-	-	-	-	-
Subtotal	21	21	-	6	6	-	-	-	-	-	-	-
Totals	192	192	-	119	119	-	-	-	-	-	-	-
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	-