

**COMMUNITY CHARTER SCHOOL OF PATERSON
AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2016**

**XI. AUDITORS MANAGEMENT REPORT ON ADMINISTRATION FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

TABLE OF CONTENTS

Report of Independent Auditors	1
General Comments	2
Scope of Audit.....	2
School Purchasing Programs	2
Insurance	2
Examination and Payment of Claims	2
Payroll Account	2
Reserve for Encumbrances, Liability (Current) for Accounts Payable	3
School Food Service.....	3
Board's Secretary Accounting Records	3
Schedule of Audited Enrollments	3
Tuition Charges	4
T.P.A.F. Reimbursement	4
Elementary and Secondary Education Act (E.S.E.A)/Improving America's Schools Act (IASA)	4
Other Special Federal and/or State Projects	4
Classification of Expenditures	4
Follow-up on Prior Year Findings.....	5
Acknowledgement.....	5
Schedule of Meal Count Activity	6
Schedule of Audited Enrollments.....	7
Net Cash Resource Schedule	9

SCOTT J. LOEFFLER
CERTIFIED PUBLIC ACCOUNTANT
12 MERRY LANE
EAST HANOVER, NEW JERSEY 07936

TELEPHONE
973-585-4989

FAX
973-240-7318

REPORT OF INDEPENDENT AUDITORS

The Honorable Chairperson and
Members of the Board of Trustees
Community Charter School of Paterson
County of Passaic
Paterson, New Jersey

I 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 Community Charter School of Paterson Board of Trustee's, in the County of Passaic, as of and for the year ended June 30, 2016 and have issued my report thereon dated October 27, 2016.

As part of my audit, I 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 Community Charter School of Paterson, 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.



Scott J. Loeffler
Licensed Public School Accountant
No. 870

October 27, 2016

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

GENERAL COMMENTS

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 Trustee's, and the records of the various funds under the auspices of the Board of Trustee's.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

NJ.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>.

Effective July 1, 2010 and thereafter the bid thresholds in accordance with NJ.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 NJ.S.A. 18A:39-3 is currently \$18,800.

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 my examination, I 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 NJ.S.A. 18A: 18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per NJ.S.A. 18A:18A-5.

My review of the contracts and agreements found that the school was in compliance as to the bid advertisements and awards.

Insurance

Insurance coverage was carried in the amounts as detailed in Exhibit J-20, Insurance Schedule, as contained in the Charter School's CAFR

Examination and Payment of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification and supporting documentation.

Payroll Account

At the end of the year ended June 30, 2016, the following policies and procedures were in effect:

Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account. The net salaries of all employees of the school were deposited in the Payroll Agency Account.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premiums.

All payrolls were certified by the Chairperson of the Board and Board Secretary/Business Administrator.

Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2016 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, 2016. No exceptions were noted.

School Food Service

The financial transactions and statistical records of the School Food Services Fund were maintained in satisfactory condition. The financial accounts, meal count record and eligibility applications were reviewed on a test-check basis. The number of meals claimed for reimbursement was verified against meal count records. There were no modifications noted. Reimbursement vouchers were properly computed and timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed did not exceed the number of valid applications on file times the number of operating days. The free and reduced priced meal policy is uniformly administered throughout the school. The required verification procedures for free and reduced price applications were available for review.

Cash receipts and bank records were reviewed for timely deposit.

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 costs of food and supplies used.

The school utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

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 nonprofit status of the school food service. Net cash resources did not exceed three months average expenditures. (See Exhibit F-1).

Exhibits reflecting Child Nutrition Operations are included in Section F of the Audit.

Board Secretary's Records

The records of the Secretary of the Board were maintained in satisfactory condition.

The bids received were summarized in the minutes (NJSA 18A:18A-21).

Acknowledgements of the School's receipt of the Board Secretary's monthly financial reports were all included in the minutes.

Enrollment Counts and Submissions to the Department

My audit procedures included tests of information reported on the October 15, 2015, and the last day of school for on-roll, special education, bilingual and low-income. No exceptions were noted.

The school has adequate written procedures for the recording of student enrollment data.

The school maintained work papers on the prescribed state forms or their equivalent.

Tuition Charges

Not applicable.

T.P.A.F. Reimbursement

My audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity Fund.

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. 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 VI of the Elementary and Secondary Education Act as amended.

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 and Schedule B located in the CAFR.

My 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.

The study of compliance with other special federal and/or state projects indicated no areas of noncompliance and/or questionable costs.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the *N.J.A.C. 6A:23-2.2(f)* and line item details as described in the Budget Summary Key as part of my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Follow-up on Prior Year Findings

In accordance with government auditing standards, my procedures included a review of the prior year recommendations.

I had noted four comments regarding findings in the payroll and fringe benefit area in the prior year. The school had submitted a corrective action plan and implemented internal controls to correct all the previous year's findings.

At June 30, 2016 all newly implemented internal controls in the payroll and fringe benefit area were in effect.

ACKNOWLEDGEMENT

I received the complete cooperation of all the officials of the charter school and I greatly appreciate the courtesies extended to me.

Respectfully submitted,

A handwritten signature in cursive script that reads "Scott J. Loeffler" with the letters "CRA" written in smaller script to the right of the name.

Scott J. Loeffler
Licensed Public School Accountant
No. 870

COMMUNITY CHARTER SCHOOL OF PATERSON
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND OVER/UNDER CLAIM
 June 30, 2016

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
NATIONAL SCHOOL LUNCH	FREE	142,380	142,380	142,380	0	3.21	0
	REDUCED	0	0	0	0	2.69	0
	PAID	12,550	12,550	12,550	0	0.41	0
TOTALS		154,930	154,930	154,930	0		0

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
SCHOOL BREAKFAST (SEVERE NEEDS)	FREE	121,079	121,079	121,079	0	1.99	0
	REDUCED	0	0	0	0	1.69	0
	PAID	10,670	10,670	10,670	0	0.29	0
TOTALS		131,749	131,749	131,749	0		0

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>POTENTIAL OVER-UNDER CLAIM</u>
AFTER SCHOOL SNACKS	FREE	62,962	62,962	62,962	0	0.84	0
	REDUCED				0		0
	PAID				0		0
TOTALS		62,962	62,962	62,962	0		0

COMMUNITY CHARTER SCHOOL OF PATERSON
 APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE

GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMENTATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMENTATION	ERR
KINDERGARTEN	99	50	50	0	50	0	1	1	0	1	0	42	42	0
ONE	100	50	50	0	50	0	5	5	0	5	0	44	44	0
TWO	100	50	50	0	50	0	5	5	0	5	0	44	44	0
THREE	100	50	50	0	50	0	4	4	0	4	0	43	43	0
FOUR	100	50	50	0	50	0	4	4	0	4	0	43	43	0
FIVE	100	50	50	0	50	0	4	4	0	4	0	43	43	0
SIX	100	50	50	0	50	0	4	4	0	4	0	43	43	0
SEVEN	97	49	49	0	49	0	4	4	0	4	0	43	43	0
EIGHT	88	44	44	0	44	0	4	4	0	4	0	43	43	0
TOTAL	884	443	443	0	443	0	35	35	0	35	0	388	388	0
PERCENTAGE				0.00%		0.00%			0.00%		0.00%			0.00%

COMMUNITY CHARTER SCHOOL OF PATERSON
 APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE

GRADES	SUBMISSION	REPORTED	VERIFIED	ERR	VERIFIED	ERR	(INCLUDED IN	VERIFIED	ERR	VERIFIED #	ERR	LOW	VERIFIED	ERR
	TO DOE	ON	SIGNED		# OF DAYS		COLUMN 1)	DOCUMENT-		OF DAYS		INCOME	DOCUMENT-	
	REPORTED	WORK	REG		ENROLLED		SPECIAL ED &	TATION		SERVICE			TATION	
	ON ROLL	PAPERS	FORMS				OR BILINGUAL			PROVIDED				
KINDERGARTEN	99	50	50	0	50	0	1	1	0	1	0	42	42	0
ONE	100	50	50	0	50	0	5	5	0	5	0	44	44	0
TWO	100	50	50	0	50	0	5	5	0	5	0	44	44	0
THREE	100	50	50	0	50	0	4	4	0	4	0	43	43	0
FOUR	100	50	50	0	50	0	4	4	0	4	0	43	43	0
FIVE	100	50	50	0	50	0	4	4	0	4	0	43	43	0
SIX	100	50	50	0	50	0	4	4	0	4	0	43	43	0
SEVEN	97	48	48	0	48	0	4	4	0	4	0	44	44	0
EIGHT	88	44	44	0	44	0	3	3	0	3	0	41	41	0
TOTAL	884	442	442	0	442	0	34	34	0	34	0	387	387	0

PERCENTAGE

0.00%

0.00%

0.00%

0.00%

0.00%

**COMMUNITY CHARTER SCHOOL OF PATERSON
NET CASH RESOURCE SCHEDULE**

**Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
For the Years Ended June 30, 2016**

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR *		Current Assets
B-4	\$87,085	Cash & Cash Equiv.
B-4	37,703	Due from Other Gov'ts
B-4	-	Accounts Receivable
B-4	-	Investments
 		Current Liabilities
CAFR		Less Accounts Payable
B-4	(12,666)	Less Accruals
B-4	-	Less Due to Other Funds
B-4	(88,343)	Less Deferred Revenue
B-4	-	
	<u>\$ 23,779</u>	(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	470311	Tot. Operating Exp.
B-5	-	Less Depreciation
	<u>\$ 470,311</u>	(B)
 <u>Average Monthly Operating Expense:</u>		
	<u>\$ 47,031</u>	(C)
 <u>Three times monthly Average:</u>		
	<u>\$ 141,093</u>	(D)

TOTAL IN BOX A	\$	<u>23,779</u>	
LESS TOTAL IN BOX D	\$	<u>(141,093)</u>	
NET	\$	<u><u>(117,314)</u></u>	

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

Source: Charter School's CAFR