

**HOPE COMMUNITY CHARTER SCHOOL**

Camden, New Jersey  
County of Camden

**Auditor's Management Report on Administrative Findings -  
Financial, Compliance and Performance  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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**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 Trustees of the Hope Community Charter School in the County of Camden for the year ended June 30, 2016, and have issued our report thereon dated November 26, 2016.

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  
November 26, 2016

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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 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 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 School Business Administrator/Board Secretary.

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.

## **Employee Position Control Roster**

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit, the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

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

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

## **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C.6A:23-1.2 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:23A-8.3. 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.

## **Finding 2016-001 (CAFR Finding 2016-002):**

It was noted during our audit that the employees of the Charter School did not follow policies in relation to travel and reimbursement policies as set forth in NJAC 6A:23A.

## **Recommendation:**

That the Charter School implements controls that follow guidelines set forth by NJAC 6A:23A.



## **Financial Planning, Accounting and Reporting (continued):**

### **Finding 2016-002:**

It was noted during our audit that the Charter School is not following proper procurement procedures, including proper requisition and approval of purchase orders before purchase are made.

### **Recommendation:**

That the Charter School follows proper internal controls surrounding the procurement of goods or services.

### **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 records maintained by the treasurer were found to be in satisfactory condition with the exception of the following:

### **Finding 2016-003 (CAFR Finding 2016-001):**

It was noted during our audit that the Charter School's June net payroll and payroll agency account reconciliations did not reconcile to the Treasurer's Report.

### **Recommendation:**

That the Treasurer reconciles their cash records with the reconciled bank statements and the cash records of the Board Secretary.

### **Finding 2016-004:**

It was noted during our audit that the Charter School was assessed multiple service fees and overdraft fees on their bank accounts. The Charter School opened new accounts during the year that sat dormant and were assessed fees until the balance reached zero.

### **Recommendation:**

That the Charter School follow proper cash management procedures and policies in order to avoid unnecessary loss due to having fees.

## **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 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.

## **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 tests of compliance for the major federal and state programs selected did not indicate any areas of noncompliance.

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 reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

### **T.P.A.F. Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure charged to the current year's Final Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district 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.

## **School Purchasing Program**

### **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/dca/divisions/dlgs/programs/lpcl.html>.

Current statute is posted on the New Jersey Legislature website at:

[http://lis.njleg.state.nj.us/cgi-bin/om\\_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC\\_Frame\\_Pg42](http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42)

*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 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

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

\$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.

- b) 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.”

*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.”

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 \$18,800 for 2015-16. The Hope Community Charter School currently has a Qualified Purchasing Agent.

The Charter School’s Board of Trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year (contract year for July 1, 2015 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.

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 *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**

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we 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 were noted.

**School Food Service (continued):**

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

**Enrollment Counts and Submissions to the Department**

Our audit procedures included tests of enrollment information reported on October 15, 2015 and June 30, 2016 for on-roll, special education, and low-income. No exceptions were noted.

**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.

**Review of OFAC Findings:**

Not Applicable.

**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.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

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

Medford, New Jersey  
November 26, 2016

**ADDITIONAL INFORMATION**

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SCHEDULE OF AUDITED ENROLLMENTS (I)

HOPE COMMUNITY CHARTER SCHOOL  
 CHARTER SCHOOL ENROLLMENT  
 AS OF OCTOBER 15, 2015

	2015-2016 Charter School Enrollment			Sample for Verification		
	Reported on CHE On Roll	Reported on Workpapers On Roll	Errors Full	Sample Selected from Workpapers Full	Registers On Roll Full	Errors per Registers On Roll Full
Full Time Kindergarten						
One	28	28	-	17	17	-
Two	31	31	-	19	19	-
Three	60	60	-	37	37	-
	46	46	-	29	29	-
Subtotal	165	165	-	102	102	-
Special Ed - Elementary	16	16	-	10	10	-
Subtotal	16	16	-	10	10	-
Totals	181	181	-	112	112	-
Percentage Error	- <u>                    </u>					

AS OF JUNE 30, 2016

	2015-2016 Charter School Enrollment			Sample for Verification		
	Reported on CHE On Roll	Reported on Workpapers On Roll	Errors Full	Sample Selected from Workpapers Full	Registers On Roll Full	Errors per Registers On Roll Full
Full Time Kindergarten						
One	29	29	-	20	20	-
Two	33	33	-	20	20	-
Three	61	61	-	35	35	-
	53	53	-	34	34	-
Subtotal	176	176	-	109	109	-
Special Ed - Elementary	16	16	-	10	10	-
Subtotal	16	16	-	10	10	-
Totals	192	192	-	119	119	-
Percentage Error	- <u>                    </u>					

SCHEDULE OF AUDITED ENROLLMENTS (2)

HOPE COMMUNITY CHARTER SCHOOL  
 CHARTER SCHOOL ENROLLMENT  
 AS OF JUNE 30, 2016

	Low Income				Resident LEP Low Income			
	Reported on	Reported on	Sample for Verification		Reported on	Reported on	Sample for Verification	
	CHE Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application & Register	CHE LEP low Income	Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score & Register
Full Time Kindergarten	28	28	17	17	-	-	-	-
One	32	32	19	19	1	1	1	1
Two	57	57	37	37	-	-	-	-
Three	47	47	29	29	-	-	-	-
Subtotal	164	164	102	102	1	1	1	1
Special Ed - Elementary	16	16	10	10	-	-	-	-
Subtotal	16	16	10	10	-	-	-	-
Totals	180	180	112	112	1	1	1	1
Percentage Error	-	-	-	-	-	-	-	-