

**BOARD OF TRUSTEE'S**  
**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**COUNTY OF CAMDEN**  
**AUDITOR'S MANAGEMENT REPORT ON**  
**ADMINISTRATIVE FINDINGS-**  
**FINANCIAL, COMPLIANCE AND PERFORMANCE**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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# NIGHTLINGER, COLAVITA & VOLPA

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and  
Members of the Board of Trustee's  
The Kingdom Charter School of Leadership  
County of Camden, New Jersey

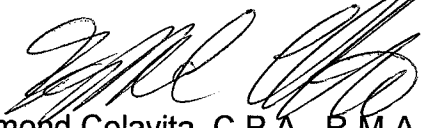
We have audited, in accordance with generally accepted audit standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of The Kingdom Charter School of Leadership in the County of Camden for the year ended June 30, 2017, and have issued our report thereon dated November 6, 2017.

As part of our audit, we performed procedures required by the Division of Administration and Finance, 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 Kingdom Charter School of Leadership 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.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

  
Raymond Colavita, C.P.A., R.M.A.  
Licensed Public School Accountant  
No. 915

November 6, 2017

**ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer/Designee of School Monies, the activities of the Board of Trustees, the records of the Student Activity Fund, Food Service Fund, Before and After Care Program and Special Revenue Fund 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 district's **CAFR**

**Official's Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Riscee Langhorne	Business Administrator	\$ 150,000

**Tuition Charges**

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

**District Internal Control Policies**

District board of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the district's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13. Internal Control Policies were generally found in accordance with NJAC 6A:23A-6.5 through 6.13, with the exception of Segregation of Duties (NJAC 6A:23A-6.5).

**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.

**Payroll Account**

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were remitted to proper agency.

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

## **Financial Planning, Accounting and Reporting (Continued)**

### **Employee Position Control Roster**

An inquiry and subsequent review of the Position Control Roster did not find any discrepancies between the payroll records, employee benefit records, the general ledger accounts to where wages are posted, and the Position Control Roster.

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

A review of outstanding issued purchase orders was made as of June 30, 2017 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, 2017. No exceptions were noted.

### **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with **N.J.A.C. 6A:23-2.2(f)** 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. 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:23-8.2. As a result of the procedures performed and condition of the records, no transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **Classification of Expenditures**

***A. General Classification Findings None***

***B. Administrative Classification Findings None***

### **Board Secretary's Records**

The financial records, books of accounts maintained by the Secretary were in satisfactory condition.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Monthly financial certificates of the Board Secretary and Board of Trustees for positive line item account status certifications (**N.J.A.C. 6:2-2.13**) were not available. Budgetary line item account transfers were approved monthly to cover any anticipated deficits.

Purchase orders were generally charged to the appropriate line item accounts in accordance with the State prescribed **Uniform Minimum Chart of Accounts (2R2)** for New Jersey Public Charter School.

## **Financial Planning, Accounting and Reporting (Continued)**

### **Treasurer's / Designee Records**

The Treasurer/Designee prepared cash reconciliation's for the general operating account, payroll account and payroll agency account per N.J.S.A.18A:17-36.

The Treasurer's records were in agreement with the records of the Board Secretary

All cash receipts appeared promptly deposited.

The Treasurer's monthly report was filed in a timely manner.

### **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 Title I and II of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of E.S.E.A. 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 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**.

Our audit of 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 for special projects indicated no areas of noncompliance.

### **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.

### **TPAF Reimbursement to the State for Federal Salary Expenditures**

Our audit did not identify wages charged against any federal award programs of the District in the 2016-17 school year. As a result, no amount was chargeable on any federal award of the charter school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the charter school district.

## 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 are available on the website: [http://www.state.nj.us/dca/divisions/dlgs/programs/ps\\_contracts.html](http://www.state.nj.us/dca/divisions/dlgs/programs/ps_contracts.html).

The 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)

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 currently \$18,800 for 2016-17.

The Charter School 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.

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.

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 provisions of N.J.S.A. 18A:18A-4, amended.

Our examination did reveal, however that purchases from vendors were properly made through approved state contracts.

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 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.

The review of contracts and agreements did not disclose any areas of statutory noncompliance.

Although a particular contract is exempt from the formal requirements of public advertising and competitive bidding, N.J.S.A. 18A:18A-37 requires that quotations be obtained, whenever practical, for any contract less than the bid threshold but 15% or more of that amount, except for contracts for professional services.

## **School Purchasing Programs (Continued)**

### **Contracts and Agreements Requiring Advertisement for Bids (Continued)**

All contracts and agreements, which are subject to quotations, shall be awarded on the basis of the lowest responsible quotation received, which is most advantageous to the Board of Education, price and other factors considered. Quotations were generally available for audit

### **School Food Service**

The school food service program was not selected as a major federal and/or State program and expended less than \$100,000 in Federal and/or State Support for its Child Nutrition Program.

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

### **Before and After Care Program and Summer Enrichment**

Extended day activity (representing miscellaneous childcare program fee revenues and payment of related operating expenditures) and the Summer Enrichment activity (representing the summer school program) are reported as enterprise funds.

The analysis of receipts submitted for audit, as adjusted for each fund, reconciled with the bank at June 30, 2017. Deposits were generally made on a timely basis into the monthly bank statements. Expenditures were supported by invoices and other documentation.

### **Student Body Activities**

The Board has a policy, which clearly established the regulation of student activity funds. A monthly report of student activity funds is submitted to the Board.

Monthly bank reconciliations of the Student Activity Fund account were properly prepared and available for audit.

### **Enrollment counts and submission to the Department**

Our audit procedures included a test of information reported on October 14 and the last day of school for on-roll, special education, LEP and low income. The details of our test results are included in this report in the *Schedule of Audited Enrollments*. We also performed a review of the School's procedures related to its completion.

Internal controls as they relate to the collection and submission of enrollment counts were documented and deemed sufficient.



## **Enrollment counts and submission to the Department (Continued)**

### ***Finding 2017-1***

The Charter School does not appear to have sufficiently detailed written internal procedures, with respect to designating personnel assigned to enrollment counts. In addition, the revised enrollment system report was not presented in a format to sufficiently determine final student counts and classifications.

### ***Recommendation***

The Charter School should develop written internal procedures for enrollment counts that meet the minimum requirements outlined by the New Jersey Department of Education. In addition, procedures over enrollment reporting should be reviewed and revised, in order to assure final enrollment system reports are presented in an appropriate format.

## **Facilities and Capital Assets**

Our procedures included a review of the EDA grant agreements, if any, for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. There were no capital grant agreements for the fiscal year ending June 30, 2017.

A fixed asset record was maintained by the School Business Administrator.

### ***Finding 2017-2***

The Capital Outlay section of the General Fund Budget contained numerous expenditures that did not meet the criteria of a capital purchase, thus requiring reclassification to appropriate operating budget line items.

### ***Recommendation***

Procedures to record expenditures in the Capital Outlay section of the General Fund Budget should be reviewed and revised, in order to assure that only expenditures meeting the criteria of a capital purchase are reflected.

## **Testing for Lead of all Drinking Water in Educational Facilities**

The school district adhered to all the requirements of NJAC 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The test results were posted on the district's website as well as being available at the school facility.

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

In accordance with Government Auditing Standards, which are applicable to NJ Charter Schools, our procedures included a review of all prior year audit recommendations, which indicate that corrective action has been taken on all prior year audit findings.

**Acknowledgment**

We received the complete cooperation of all the officials of the Charter School, and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

**NIGHTLINGER, COLAVITA & VOLPA, P.A.**

A handwritten signature in black ink, appearing to read 'R. Colavita', is written over the printed name.

Raymond Colavita, C.P.A., R.M.A.  
Licensed Public School Accountant  
No. 915

SCHEDULE OF AUDITED ENROLLMENTS

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF OCTOBER 14, 2016

Grades	TOTAL Submission to DOE Reported on Roll	Reported on Workpapers	Errors	50% Verification Required 10/14/16	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Documen- tation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documen- tation	Errors
Kindergarten	47	47		23	23		23	0	1	1	0	0	0	15	19	(4)
One	36	36		18	18		18	0	1	1	0	0	0	12	12	-
Two	35	35		18	18		18	0	3	3	0	3	0	9	13	(4)
Three	39	39		19	19		19	0	1	1	0	1	0	10	10	-
Four	29	29		15	15		15	0	2	2	0	2	0	12	13	(1)
Five	22	22		10	10		10	0	1	1	0	1	0	4	5	(1)
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
Total	208	208		103	103		103		9	9		7		62	72	(10.00)
Percentage							<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>		<u>0.00%</u>			<u>(0.16)</u>

**SCHEDULE OF AUDITED ENROLLMENTS**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 10, 2016**

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	50% Verification Required 6/30/16	Verified Signed Registration Forms	Errors	Verified # days Enrolled	Errors	Special Ed and/or Bilingual	Verified Document-ation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Document-ation	Errors
Kindergarten	49	49		26	26	0	26	0	0	0	0	0	0	15	18	(3)
One	37	37		19	19	0	19	0	0	0	0	0	0	9	10	(1)
Two	38	38		20	20	0	20	0	2	3	(1)	3	(1)	11	12	(1)
Three	40	40		21	21	0	21	0	3	3	0	3	0	10	14	(4)
Four	29	29		15	15	0	15	0	3	3	0	3	0	10	11	(1)
Five	21	21		11	11	0	11	0	4	4	0	4	0	5	6	(1)
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
<b>Total</b>	<b>214</b>	<b>214</b>		<b>112</b>	<b>112</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>12</b>	<b>13</b>	<b>(1)</b>	<b>13</b>	<b>(1)</b>	<b>60</b>	<b>71</b>	<b>(11)</b>
Percentage						<u>0.00%</u>	<u>0.00%</u>				<u>-7.69%</u>		<u>-7.69%</u>			<u>-18.33%</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**EXCESS SURPLUS CALCULATION**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2016-17 Total General Fund Expenditures per the CAFR	\$ <u>2,768,140</u>	(B)	
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	_____	(B1a)	
Transfer from Capital Reserve to Capital Projects Fund	_____	(B1b)	
Transfer from General Fund to SRF for PreK-Regular	_____	(B1c)	
Transfer from General Fund to SRF for PreK-Inclusion	_____	(B1d)	
Decreased by:			
On-Behalf TPAF Pension & Social Security	_____	193,035	(B2a)
Assets Acquired Under Capital Leases	_____		(B2b)
 Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	 <u>2,575,105</u>	 (B3)	
 2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	 <u>51,502</u>	 (B4)	
Enter Greater of (B4) or \$250,000	<u>250,000</u>	(B5)	
Increased by: Allowable Adjustment*	<u>-</u>	(K)	
 Maximum Unassigned/Undesignated-Unreserved Fund Balance[(B5)+(K)]			\$ <u>250,000</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>346,716</u>	(C)	
Decreased by:			
Year-end Encumbrances	_____	(C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	_____	(C2)	Capital
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	_____	(C3)	Surplus
Other Restricted Fund Balances****	<u>60,000</u>	(C4)	
Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures	_____	(C5)	Other
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's July 1, 2017 - August - 1, 2017	_____	(C6) *****	
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]			\$ <u>286,716</u> (U1)

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
EXCESS SURPLUS CALCULATION**

**SECTION 3**

Restricted Fund Balance- Excess Surplus\*\*\* [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 36,716 (E)

**Recapitulation of Excess Surplus as of June 30, 2017**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	-	(C3)
Reserved Excess Surplus ***[(E)]	<u>36,716</u>	(E)
Total Excess Surplus [(C3) + (E)]	\$ <u>36,716</u>	(D)

**Footnotes:**

- \* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
  - (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
  - (I) Sale & Lease-Back (Refer to the Audit Program Section II, Chapter 10);
  - (J1) Extraordinary Aid;
  - (J2) Additional Nonpublic School Transportation Aid;
  - (J3) Recognized current year School Bus Advertising Revenue; and
  - (J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

**Detail of Allowable Adjustments**

Impact Aid	\$ _____	(H)
Sale & Lease-Back	_____	(I)
Extraordinary Aid	_____	(J1)
Additional Nonpublic School Transportation Aid	_____	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	_____	(J4)
Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)]	\$ _____	(K)

- \*\* This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- \*\*\* Amounts must agree to the June 30, 2016 CAFR and must agree to Audit Summary Worksheet Line 90030.
- \*\*\*\* Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance and Regulatory Compliance prior to September 30.
- \*\*\*\*\* Increase in Assigned Fund Balance - Unreserved - Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget. Refer to Commissioner's Broadcast and to page 1-4.2 of this Audit Program.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	_____
Capital reserve	_____
Maintenance reserve	_____
Emergency Reserve	_____
Tuition reserve	_____
School Bus Advertising 50% Fuel Offset Reserve - Current Year	_____
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	_____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	_____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	_____
Other state/government mandated reserve	<u>60000</u>
[Other Restricted Fund Balance not noted above] *****	_____
Total Other Restricted Fund Balance	\$ <u>60,000</u> (C4)

## AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2017

The Kingdom Charter School of Leadership

### RECOMMENDATIONS:

1. Administrative Practices and Procedures - None
2. Financial Planning, Accounting and Reporting - None
3. School Purchasing Programs - None
4. School Food Service - None
5. Student Body Activities - None
6. Application for State School Aid

Enrollment Counts and Submission to the Department

#### ***Finding 2017-1***

#### ***Recommendation***

The Charter School should develop written internal procedures for enrollment counts that meet the minimum requirements outlined by the New Jersey Department of Education. In addition, procedures over enrollment reporting should be reviewed and revised, in order to assure final enrollment system reports are presented in an appropriate format.

7. Pupil Transportation - None
8. Facilities and Capital Assets

#### ***Finding 2017-2***

#### ***Recommendation***

Procedures to record expenditures in the Capital Outlay section of the General Fund Budget should be reviewed and revised, in order to assure that only expenditures meeting the criteria of a capital purchase are reflected.

9. Miscellaneous - None
10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.