

**JOHN P. HOLLAND CHARTER SCHOOL  
COUNTY OF PASSAIC**

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

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2019**



**John P. Holland Charter School, Inc.**  
Auditor's Management Report on Administrative  
Findings - Financial, Compliance and Performance

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

The 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 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 the Board of Trustees of the John P. Holland Charter School, in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2019, which were separately issued in the Comprehensive Annual Financial Report dated January 15, 2020.

As part of our audit, we also 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Trustees of the John P. Holland Charter School, for the fiscal year ended June 30, 2019, and is intended for the information of the Charter School 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,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Scott P. Barron  
Certified Public Accountant  
Public School Accountant No. CS 02459

Voorhees, New Jersey  
January 15, 2020

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

**SCOPE OF AUDIT**

The audit covered the financial transactions of the Board Secretary / 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 Charter School's Comprehensive Annual Financial Report (CAFR).

**Official Bonds (N.J.S.A. 18A: 17-26, 18A:17-32, 18A:13-13)**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount</u></b>
Dr. Brian Falkowski	Board Secretary / School Business Administrator	\$160,000.00

There is a blanket dishonesty bond covering all other employees in the amount of \$133,000.00 per employee.

**FINANCIAL PLANNING, ACCOUNTING, AND REPORTING**

**Examination of Claims**

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

**Payroll Account**

The net salaries of sampled employees of the Charter School were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

Sampled payrolls were approved by the Charter School's designee and were certified by the President of the Board of Trustees and the School Business Administrator.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

**Encumbrances and Accounts Payable**

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

**Travel**

A sample of travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

**FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)**

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our randomly sampled expenditure transactions. We also tested the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures.

**Board Secretary's/ School Business Administrator's Records**

Our audit of the financial and accounting records maintained by the Board Secretary/School Business Administrator indicated that they were in satisfactory condition.

**Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (E.S.S.A.)**

The E.S.S.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 II of the Every Student Succeeds Act.

The audit of compliance for E.S.S.A. did not indicate any reportable noncompliance.

**Other Special Federal and / or State Projects**

The Charter School's other special projects were approved as listed on exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a sample 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 other special projects.

The audit of compliance for other special projects did not indicate any reportable noncompliance.

**TPAF Reimbursement**

Our audit procedures included a sample 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 were noted.

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

The amount of the expenditure charged to the current year's final report(s) for all federal awards for the Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School 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 and N.J.S.A. 18A:66-90. The expenditure was inspected subsequent to the reimbursement and 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 the school contracts in general, are available on the following website:

<https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

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

<http://www.njleg.state.nj.us/>

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (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 \$19,000.00 for 2018-19.

The Charter School's Members of the 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 audit, 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.

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 \$100,000.00 in federal and / or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also 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.

Non-program foods were not purchased, prepared, sold, or offered for sale by the School District

Net cash resources did not exceed three months average expenditures.

## **STUDENT BODY ACTIVITIES**

Our audit of the financial and accounting records for student activities indicated the following:

### ***Finding No. 2019-001 (CAFR Finding No. 2019-001)***

The Charter School does not have adequate financial and bookkeeping controls over the receipts and expenditures of the Student Activity fund as described in N.J.A.C. 6A:23A-16.12.

### ***Recommendation***

That the existing system of internal controls over the Student Activity Fund be evaluated and improvements implemented to be in compliance with N.J.A.C. 6A:23A-16.12.

**ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT**

Our audit procedures included a sample of enrollment information on October 15, 2018 and the last day of school for on-roll, special education, bilingual and low-income. The results of our procedures are presented in the schedule of audited enrollments.

The Charter School maintained written procedures that appear to be adequate for the recording of student enrollment data.

**FACILITIES AND CAPITAL ASSETS**

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

**MISCELLANEOUS**

**Testing for Lead of All Drinking Water in Education Facilities**

The School District complied with all the requirements of N.J.A.C. 6A:26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The School District submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

**FOLLOW-UP ON PRIOR YEAR'S FINDINGS**

There were no audit findings for the fiscal year ended June 30, 2018.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2019.

**ACKNOWLEDGMENT**

We received the complete cooperation of all of the officials of the Charter School and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,



BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants



Scott P. Barron  
Public School Accountant No. CS02459

JOHN P. HOLLAND CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF OCTOBER 15, 2018

Grade	Submission to DOE reported On Roll	Sample												
		Reported on Workpapers	Verified signed Registration Forms	Errors	Verified # days enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors
Full-Day Preschool	94	51			51		1	1		1		42	42	
Kindergarten	88	36			36		5	5		5		29	29	
One	84	36			36		6	6		6		33	33	
Two	23	8			8		3	3		3		7	7	
Three	25	8			8		1	1		1		5	5	
Four	24	7			7		3	3		3		6	6	
Five	23	7			7		2	2		2		7	7	
Six	22	8			8							7	7	
Seven	22	6			6		2	2		2		5	5	
Eight	19	8			8		1	1		1		6	6	
Nine														
Ten														
Eleven														
Twelve														
<b>Total</b>	<b>424</b>	<b>175</b>	<b>-</b>	<b>-</b>	<b>175</b>	<b>-</b>	<b>24</b>	<b>24</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>147</b>	<b>147</b>	<b>-</b>

Percentage



JOHN P. HOLLAND CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2019

Grade	Submission to DOE reported On Roll	Sample											
		Reported on Workpapers	Verified signed Registration Forms	Errors	Verified # days enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation
Full-Day Preschool	94	43			43		2	2		2		41	41
Kindergarten	88	52			52		6	6		6		45	45
One	84	48			48		2	2		2		40	40
Two	23	15			15							12	12
Three	25	17			17		1	1		1		15	15
Four	24	17			17		4	4		4		13	13
Five	23	16			16		1	1		1		14	14
Six	22	14			14		1	1		1		11	11
Seven	22	16			16		2	2		2		11	11
Eight	19	11			11		3	3		3		9	9
Nine													
Ten													
Eleven													
Twelve													
<b>Total</b>	<b>424</b>	<b>249</b>	<b>-</b>	<b>249</b>	<b>-</b>	<b>22</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>211</b>	<b>211</b>	<b>-</b>

Percentage

**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT**

**SECTION 1**

**2% Calculation of Excess Surplus**

2018-19 Total General Fund Expenditures Reported on CAFR Exhibit C-1	\$ 4,437,160.44	(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	472,646.48	(B2a)
Assets Acquired Under Capital Leases	-	(B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 3,964,513.96	(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 79,290.28	(B4)
Enter Greater of (B4) or \$250,000	250,000.00	(B5)
Increased by: Allowable Adjustment *	-	(K)
Maximum Unassigned Fund Balance [(B5) + (K)]	\$ 250,000.00	(M)

**SECTION 2**

Total General Fund - Fund Balances at June 30, 2019 (Per CAFR Budgetary Comparison Schedule, Ex. C-1)	\$ 806,491.71	(C)
Decreased by:		
Year-End Encumbrances	-	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	-	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	-	(C3)
Other Restricted Fund Balances ****	25,000.00	(C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	-	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 781,491.71	(U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ 531,491.71	(E)
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**Recapitulation of Excess Surplus as of June 30, 2019**

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ -	(C3)
Restricted - Excess Surplus *** [(E)]	531,491.71	(E)
Total Excess Surplus [(C3)+(E)]	\$ 531,491.71	(D)

**EXCESS SURPLUS CALCULATION (CONT'D)**

**REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT**

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, 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 and 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**

Federal 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, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2019-2020 general fund budget.

\*\*\* Amounts must agree to the June 30, 2019 CAFR and must agree to Audit Summary Line 90030.

\*\*\*\*

Amount for Other Restricted 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 another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

**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 8002 and 8003)	-
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	-
Other state/government mandated reserves	25,000.00

[Other Restricted Fund Balance not noted above]\*\*\*\*

-

Total Other Restricted Fund Balance

\$ 25,000.00 (C4)

**JOHN P. HOLLAND CHARTER SCHOOL**  
Audit Recommendations Summary  
For the Fiscal Year Ended June 30, 2019

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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

That the existing system of internal controls over the Student Activity Fund be evaluated and improvements implemented to be in compliance with N.J.A.C. 6A:23A-16.12.

6. Enrollment Counts and Submission to the Department

None

7. Pupil Transportation

Not applicable

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no audit findings for the fiscal year ended June 30, 2018.

