

JOHN P. HOLLAND CHARTER SCHOOL

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

FISCAL YEAR ENDED JUNE 30, 2017

Prepared by

Gerard Stankiewicz, CPA, PSA

Of the Firm

**SAMUEL KLEIN AND COMPANY
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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Trustees
John P. Holland Charter School
County of Passaic
Paterson, 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 John P. Holland Charter School in the County of Passaic for the year ended June 30, 2017, and have issued our report thereon dated December 13, 2017.

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 solely for the information of the John P. Holland Charter School 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.



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
December 13, 2017

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE
JUNE 30, 2017

Scope of Audit

The audit covered the financial transactions of the Business Office, the activities of the Board of Trustees and the records of the various funds under the auspices of the Board of Trustees. This report is filed in conjunction with the Charter School's Comprehensive Annual Financial Report ("CAFR").

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the Statistical Sections (J-4 and J-20) of the Charter School's CAFR.

Officials' Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Brian Falkowski	School Business Administrator/ Board Secretary	\$ 133,000

There is a Public Employee's Faithful Performance Blanket Position Bond Policy covering all other employees with multiple coverage of \$25,000.

School Leaders Errors and Omissions Liability insurance was carried for all members of the Board of Trustees with coverage for each wrongful act of \$1,000,000.

The statute relative to charter schools require an escrow account of \$75,000 be maintained, however, the Charter School only has earmarked \$25,000. We have been advised that the school is in the process of obtaining a surety bond to satisfy the requirement

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicates certain discrepancies with respect to signatures, certification or supporting documentation.

An examination of claims paid during the period under audit was made as to affidavit or signed declaration, proper itemization and proper authorization by officials. The Board's voucher system is in accordance with R.S. 18:6-34, which requires a signed declaration by Secretary. The actual signature for receipt of goods or services rendered is on the receiving copy of the purchase order set, which is attached to the purchase order and filed alphabetically. All claims approved for payment are listed by fund total in the Minutes.

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE (CONTINUED)
JUNE 30, 2017

Financial Planning, Accounting and Reporting (Continued)

Payroll Account

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

All payrolls were approved by the designee in the Charter School and were certified by the President of the Board of Trustees and the School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including required health insurance withholdings.

Tuition Charges (Revenue)

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2017 for proper classification of orders as reserved for encumbrances and accounts payable. The reserve for encumbrances and accounts payable have been determined to be proper.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) as part of our test of transactions of randomly selected expenditure items. We also examined 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 classification to determine overall reliability and compliance with N.J.A.C. 6A:23A-2.4. As a result of the procedures performed, no transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE (CONTINUED)
JUNE 30, 2017

Financial Planning, Accounting and Reporting (Continued)

Board Secretary/School Business Administrator's Records

Our review of the financial and accounting records of the Board Secretary/School Business Administrator revealed that the records were maintained properly.

The Charter School utilizes the services of a School Business Administrator Service Bureau.

Acknowledgment of the Board's receipt of the Board Secretary's report was included in the minutes.

Treasurer's Records

The Treasurer's records were found to be maintained properly.

Acknowledgment of the Board's receipt of the Treasurer's report was included in the minutes.

Elementary and Secondary Education Act of 1965 (E.S.E.A.) as Reauthorized by No Child Left Behind (NCLB) Act of 2001

The 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 Titles I, II-A of the NCLB as amended.

Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on the Schedule of Expenditures for Federal Awards (Schedule A) and Schedule of Expenditures for State Financial Assistance (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 except as noted for NCLB above.

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.

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE (CONTINUED)
JUNE 30, 2017

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

The Special Revenue Fund reflects unexpended federal funds for the years 2011-2012 and 2012-2013 in the amount of \$16,221 which remain on the records as intergovernmental accounts payable that are over two (2) years old which have been refunded to the Federal Government subsequent to yearend. There is also an intergovernmental accounts receivable in the amount of \$14,173 from the years 2011-2012 and 2013-2014 which remain uncollected and are over two (2) years old. These matters are under review for collection, utilization or refund to the funding source. The receivable matter must addressed immediately.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement 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.

Expendable and Nonexpendable Trust Funds

The accounts within this fund have been properly administered.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015, the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 is \$40,000 (with a Qualified Purchasing Agent ("QPA")) and \$26,000 (without a QPA), respectively. The law requiring bidding for public student transportation contract under N.J.S.A. 18A-39-3 is currently \$17,200. The Board of Trustees has designated the Business Administrator, Brian Falkowski, as the QPA.

The Charter School Board of Trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials of 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, amended. However, we noted the following:

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE (CONTINUED)
JUNE 30, 2017

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

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

The minutes indicate that bids were advertised for the following:

Food Service (meals only)

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.

Our examination did reveal however, that the following purchases were made through the use of State contracts or cooperative purchasing arrangement.

School Furniture

Enterprise Fund

School Food Service

The financial transactions and statistical records of the Charter School food services were maintained properly. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. We note that meals claimed agreed with meal count records. No exceptions noted. We also noted that the reimbursement claims were submitted/certified in a timely manner.

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 wide basis. The free and reduced price meals and free milk policy is uniformly administered throughout the School. The required verification procedures for free and reduced price applications were completed and available for review. The number of meals for reimbursement was compared to sales and meal count records. No exceptions were noted.

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE (CONTINUED)
JUNE 30, 2017

Enterprise Fund (Continued)

School Food Service (Continued)

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and cost verified.

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 non-profit status of the school food service. Net cash resources did not exceed three-month average expenditures.

Cash receipts and bank records were reviewed for timely deposit.

The Charter School employs and pays individuals to provide meals for its food service program. We examined on a test basis their expenditures. Provisions of the food service management company contract were reviewed. Provision of NJSA 18A:17-34, 19-1 and 19-4.1 were complied with.

The Charter School project maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

All employees of the cafeteria are hired and paid by the Charter School.

Exhibits reflecting child nutrition program operations are included in Section B of the CAFR.

The Charter School is 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 non-profit status of the school food service.

Net cash resources exceeded three months average expenditures.

The Enterprise Food Service Fund balance sheet reflects accounts receivable federal in the amount of \$32,413.15 and state in the amount of \$458.68 from the 2014-2015 and the 2015-2016 school years that have not as of the date of this report been received.

There were no Food Distribution Program commodities received during the period of audit.

JOHN P. HOLLAND CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE (CONTINUED)
JUNE 30, 2017

Student Body Activities Fund

Cash receipts and cash disbursements records were maintained in satisfactory condition during the fiscal year ended June 30, 2017.

All receipts were promptly deposited in the bank.

A test check of bills and invoices was made to the cash disbursements records.

Charter School Enrollment (CSE)

Our audit procedures included a test of information reported in the October 15, 2016 and the last day of School Charter School Enrollment (CHE) for on-roll, special education, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the CHE was compared to the district workpapers. The information that was included on the workpapers was verified. The results of our procedures are presented in the Schedule of Audited Enrollments.

The Charter School maintained workpapers on the prescribed state forms or their equivalent.

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

Pupil Transportation

There was no pupil transportation provided by the Charter School.

RECOMMENDATIONS
JUNE 30, 2017

None.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

None.

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,

A handwritten signature in black ink, appearing to read "G. Stankiewicz". The signature is fluid and cursive, with a large initial "G" and "S".

Gerard Stankiewicz
Certified Public Accountant
Public School Accountant #912

For The Firm
SAMUEL KLEIN AND COMPANY

JOHN P. HOLLAND CHARTER SCHOOL
PATERSON, COUNTY OF PASSAIC
NEW JERSEY

SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<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>Over (Under)-Claim</u>
National School Lunch (Severe Rate)	Paid	881	881	881	-	0.360	
	Reduced	1,445	1,445	1,445	-	2.835	
	Free	<u>25,425</u>	<u>25,425</u>	<u>25,425</u>	-	3.235	
	Total	<u><u>27,751</u></u>	<u><u>27,751</u></u>	<u><u>27,751</u></u>	<u><u>-</u></u>		
School Breakfast (Severe Rate)	Paid	140	140	140	-	0.29	
	Reduced	448	448	448	-	1.74	
	Free	<u>16,361</u>	<u>16,361</u>	<u>16,361</u>	-	2.04	
	Total	<u><u>16,949</u></u>	<u><u>16,949</u></u>	<u><u>16,949</u></u>	<u><u>-</u></u>		
After School Snack	Paid	-	-	-	-		
	Reduced	-	-	-	-		
	Free	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
	Total	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>		

**JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
APPLICATION FOR CHARTER SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT COUNT AS OF OCTOBER 14, 2016**

Grades	Submission to DOE reported on Roll	Reported on Workpapers	Verified signed registration forms	Errors	Verified # of days of Enrolled	Errors	Special Ed &/or Bilingual	Verified Documentation	Errors	Verified # of days of Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	22	21	21	(1)	21	-	5	5	-	5	-	21	21	-
One	22	21	21	(1)	21	-	1	1	-	1	-	21	21	-
Two	23	24	24	1	24	-	6	6	-	6	-	22	22	-
Three	24	22	22	(2)	22	-	2	2	-	2	-	20	20	-
Four	22	24	24	2	24	-	1	1	-	1	-	20	20	-
Five	23	24	24	1	24	-	2	2	-	2	-	20	20	-
Six	22	22	22	-	22	-	1	1	-	1	-	19	19	-
Seven	24	22	22	(2)	22	-	1	1	-	1	-	20	20	-
Eight	19	21	21	2	21	-	6	6	-	6	-	18	18	-
Total	201	201	201	-	201	-	25	25	-	25	-	181	181	-
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

**JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
APPLICATION FOR CHARTER SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL**

Grades	Submission to DOE reported on Roll	Reported on Workpapers	Verified signed registration forms	Errors	Verified # of days of Enrolled	Errors	Special Ed &/or Bilingual	Verified Documentation	Errors	Verified # of days of Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	23	23	23	-	23	-	5	5	-	5	-	21	21	-
One	23	24	24	1	24	-	1	1	-	1	-	21	21	-
Two	24	24	24	-	24	-	6	6	-	6	-	22	22	-
Three	23	23	23	-	23	-	2	2	-	2	-	20	20	-
Four	24	24	24	-	24	-	1	1	-	1	-	20	20	-
Five	23	22	22	(1)	22	-	2	2	-	2	-	20	20	-
Six	21	21	21	-	21	-	1	1	-	1	-	19	19	-
Seven	22	24	24	2	24	-	1	1	-	1	-	20	20	-
Eight	20	20	20	(0)	20	-	6	6	-	6	-	18	18	-
Total	203	205	205	2	205	-	25	25	-	25	-	181	181	-
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

JOHN P. HOLLAND CHARTER SCHOOL
COUNTY OF PASSAIC
PATERSON, NEW JERSEY

NET CASH RESOURCE SCHEDULE

Net Cash Resources Did Not Exceed Three Months of Expenditures
Proprietary Funds - Food Service
FYE 2017

<u>Net Cash Resources:</u>		Food Service B - 4/5
CAFR	*	
	Current Assets	
B-4	Cash & Cash Equiv.	\$ 42,634
B-4	Due from Other Gov'ts	44,928
B-4	Accounts Receivable	211
B-4	Investments	
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(13,056)
B-4	Less Accruals	
B-4	Less Due to Other Funds	
B-4	Less Deferred Revenue	
	Net Cash Resources	\$ 74,718 (A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	Total Operating Expense	133,592
B-5	Less Depreciation	
	Adj. Total Operating Expense	\$ 133,592 (B)
 <u>Average Monthly Operating Expense:</u>		
	B / 10	\$ 13,359 (C)
 <u>Three Times Monthly Average:</u>		
	3 X C	\$ 40,078 (D)

TOTAL IN BOX A	\$	74,718	
LESS TOTAL IN BOX D	\$	40,078	
NET	\$	34,640	
From above:			
A is greater than D, cash exceeds 3 X average monthly operating expenses.			
D is greater than A, cash does not exceed 3 X average monthly operating expenses.			

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

SOURCE - Charter School's CAFR