

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, 2017**

**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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**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 basic financial statements of the Hope Community Charter School in the County of Camden for the year ended June 30, 2017, and have issued our report thereon dated December 1, 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 for the information of the Hope Community 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,

HOLMAN FRENIA ALLISON, P.C.

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

Medford, New Jersey
December 1, 2017

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

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 Education, 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 School District's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Steven Gilmartin	Board Secretary/School Business Administrator	\$160,000
Patricia Johnston	Treasurer	None

Finding 2017-001:

It was noted during our audit that the Board Secretary and Treasurer are insufficiently bonded.

Recommendation:

That the Charter School increase the Board Secretary’s surety bond to ensure adequate coverage required by N.J.S.A. 18A:17.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of sampled employees of the board were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

Sampled payrolls were approved by the Superintendent and were certified by the President of the Board and the School Business Administrator/Board Secretary.

Sampled 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 treasurer of school moneys with a warrant made to their order for the full amount of each payroll.

Employee Position Control Roster

A sample inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. 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 A-16.29(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of a sample of 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 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition with exception of the following:

Finding 2017-002 (CAFR Finding 2017-001):

It was noted during our audit that a proper general and subsidiary ledgers were not properly maintained.

Board Secretary's Records (continued):

Recommendation:

That the Charter School maintain proper general and subsidiary ledgers for all funds.

Finding 2017-003 (CAFR Finding 2017-002):

It was noted during our review of the Board Secretary's Records that State Aid revenue was incorrectly recorded.

Recommendation:

That the Charter School implements controls surrounding the recording of revenue.

Finding 2017-004 (CAFR Finding 2017-003):

It was noted during our review of the Board Secretary's Records that the Board Secretary was not certifying the report as set forth in NJAC 6A:23A-16.10.

Recommendation:

That the Charter School implements controls that follow guidelines set forth by NJAC 6A:23A-16.10.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer of School Monies were found to be in satisfactory condition.

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

Other Special Federal and/or State Projects

The School District'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 sample 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.

T.P.A.F. Reimbursement

Our audit procedures included a sample test of the biweekly reimbursements 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(s) 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 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 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&headigswithhits=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 \$18,800 for 2016-17.

The district board of education 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 tests on sample basis, 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 in federal and/or state support. Accordingly, we inquired of

School Food Service (continued):

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.

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.

The Statement of Revenues, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

Enrollment Counts and Submissions to the Department

Our audit procedures included tests of enrollment information reported on October 14, 2016 and June 30, 2017 for on-roll, special education, and low-income. No exceptions were noted.

Follow-up on Prior Year Findings

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year findings reported in the prior year's Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance. Corrective action had been taken on all prior year findings.

Office of Fiscal Accountability and Compliance (OFAC) Findings

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the fiscal year ended June 30, 2017.

Acknowledgment

We received the complete cooperation of all the officials of the school district 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
December 1, 2017

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ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (I)

HOPE COMMUNITY CHARTER SCHOOL
 CHARTER SCHOOL ENROLLMENT
 AS OF OCTOBER 14, 2016

	2016-2017 Charter School Enrollment			Sample for Verification			Errors per		
	Reported on CHE On Roll	Reported on Workpapers On Roll	Sample Selected from Workpapers	Registers On Roll	Verified per	Registers On Roll	Errors per	Registers On Roll	Errors per
	Full	Shared	Full	Full	Shared	Full	Full	Full	Shared
Full Time Kindergarten	43	-	43	-	-	27	-	-	-
One	25	-	25	-	-	16	-	-	-
Two	26	-	26	-	-	16	-	-	-
Three	37	-	37	-	-	23	-	-	-
Four	32	-	32	-	-	20	-	-	-
Subtotal	163	-	163	-	-	102	-	-	-
Special Ed - Elementary	29	-	29	-	-	17	-	-	-
Subtotal	29	-	29	-	-	17	-	-	-
Totals	192	-	192	-	-	119	-	-	-
Percentage Error	-								

AS OF JUNE 30, 2017

	2016-2017 Charter School Enrollment			Sample for Verification			Errors per		
	Reported on CHE On Roll	Reported on Workpapers On Roll	Sample Selected from Workpapers	Registers On Roll	Verified per	Registers On Roll	Errors per	Registers On Roll	Errors per
	Full	Shared	Full	Full	Shared	Full	Full	Full	Shared
Full Time Kindergarten	39	-	39	-	-	24	-	-	-
One	23	-	33	-	-	14	-	-	-
Two	24	-	61	-	-	15	-	-	-
Three	37	-	61	-	-	23	-	-	-
Four	32	-	53	-	-	20	-	-	-
Subtotal	155	-	247	-	-	96	-	-	-
Special Ed - Elementary	28	-	28	-	-	17	-	-	17
Subtotal	28	-	28	-	-	17	-	-	17
Totals	183	-	275	-	-	113	-	-	17
Percentage Error	-								

SCHEDULE OF AUDITED ENROLLMENTS (2)

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

	Low Income			Sample for Verification			Reported on CHE LEP low Income			Resident LEP Low Income		
	Reported on CHE Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application & Register	Sample Errors	Reported on CHE LEP low Income	Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score & Register	Sample Errors
Full Time Kindergarten	39	39	-	27	27	-	1	1	-	1	1	-
One	16	16	-	11	11	-	4	4	-	4	4	-
Two	10	10	-	7	7	-	1	1	-	1	1	-
Three	28	28	-	19	19	-	4	4	-	3	3	-
Four	11	11	-	7	7	-	-	-	-	-	-	-
Subtotal	104	104	-	71	71	-	10	10	-	9	9	-
Special Ed - Elementary	13	13	-	9	9	-	-	-	-	-	-	-
Subtotal	13	13	-	9	9	-	-	-	-	-	-	-
Totals	117	117	-	80	80	-	10	10	-	9	9	-
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	-

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2017

Hope Community Charter School

Recommendations:

1. Administrative Practices and Procedures

Finding 2017-001:

That the Charter School increase the Board Secretary's surety bond to ensure adequate coverage required by N.J.S.A. 18A:17.

2. Financial Planning, Accounting and Reporting

Finding 2017-002 (CAFR Finding 2017-001):

It was noted during our audit that a proper general and subsidiary ledgers were not maintained.

Finding 2017-003 (CAFR Finding 2017-002):

It was noted during our review of the Board Secretary's Records that State Aid revenue was incorrectly recorded.

Finding 2017-004 (CAFR Finding 2017-003):

It was noted during our review of the Board Secretary's Records that the Board Secretary was not certifying the report as set forth in NJAC 6A:23A-16.10.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2017

Hope Community Charter School (continued):

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Corrective action had been taken on all prior year findings.