

**COMMUNITY CHARTER SCHOOL OF PATERSON  
AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS  
FINANCIAL COMPLIANCE AND PERFORMANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

**XI. AUDITORS MANAGEMENT REPORT ON ADMINISTRATION FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**TABLE OF CONTENTS**

Report of Independent Auditors .....	1
General Comments .....	2
Scope of Audit.....	2
Contracts and Agreements Requiring Advertisement for Bids.....	2
Scope of Audit.....	2
School Purchasing Programs .....	2
Insurance .....	2
Examination of Claims .....	2
Payroll Account .....	3
Reserve for Encumbrances, Liability (Current) for Accounts Payable .....	3
T.P.A.F. Reimbursement .....	3
Fringe Benefits .....	3
School Food Service.....	4
Board's Secretary Accounting Records .....	4
Treasurer's Records.....	4
Enrollment Counts and Submissions to the Department .....	4
Elementary and Secondary Education Act (E.S.E.A)/Improving America's Schools Act (IASA).....	5
Other Special Federal and/or State Projects .....	5
Classification of Expenditures .....	5
Follow-up on Prior Year Findings.....	5
Acknowledgement.....	6
Schedule of Meal Count Activity .....	7
Schedule of Audited Enrollments .....	8
Net Cash Resource Schedule .....	10

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**REPORT OF INDEPENDENT AUDITORS**

The Honorable Chairperson and  
Members of the Board of Trustees  
Community Charter School of Paterson  
County of Passaic  
Paterson, New Jersey

I have audited, in accordance with generally accepted auditing 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 Community Charter School of Paterson, in the County of Passaic for the year ended June 30, 2015 and have issued my report thereon dated November 12, 2015.

As part of my audit, I 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 Community Charter School of Paterson, 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.



Scott J. Loeffler  
Licensed Public School Accountant  
No. 870

November 12, 2015

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

### **GENERAL COMMENTS**

#### **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 Trustees, and the records of the various funds under the auspices of the Board of Trustees.

#### **School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

NJ.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/njded/pscl/index.html>.

Bid thresholds in accordance with NJ.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under NJ.S.A. 18A:39-3 is currently \$18,300.

The charter school 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 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 NJ.S.A. 18A: 18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per NJ.S.A. 18A:18A-5. My review of the contracts and agreements found that the school was in compliance as to bid advertisements and awards.

#### **Insurance**

Insurance coverage was carried in the amounts as detailed in Exhibit J-20, Insurance Schedule, as contained in the Charter School's CAFR

#### **Examination and Payment of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification and documentation.

### **Payroll and Payroll Agency Accounts**

The net salaries of all employees of the School were deposited in the Payroll Account. Employees payroll deductions and employees share of fringe benefits were deposited in the Payroll Agency Account. However, they were not funded on an imprest basis.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premiums withholding 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.

### **Findings**

- 1) It was noted that an employee of the school had committed an alleged fraud by changing the bank account routing numbers for direct deposit payroll checks for several terminated employees to the employee's personal account. In addition, unauthorized payments were made to the employee and several other employees, by the same employee.
- 2) It was noted that (for a period between September 2014 and June 2015), due to high turnover, one person performed all payroll functions and no other approvals were required for changing payroll information such as rates, payroll amounts etc.
- 3) It was noted that payroll and payroll agency funding amounts were not transferred on an imprest basis. This resulted in over/underfunding the payroll and payroll agency accounts.

### **Recommendation**

The school must review and implement internal controls in the entire payroll and fringe benefit area in order to enhance segregation of duties and to prevent unauthorized transactions.

### **Reserve for Encumbrances, Liability (Current) for Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, 2015 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 reserve 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, 2015. No exceptions were noted, except as noted below under Fringe Benefits.

### **T.P.A.F. Reimbursement**

My audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the Community Charter School of Paterson employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

### **Fringe Benefits**

Contributions, employee withholding and enrollment for TPAF, PERS and health insurance were reviewed on a test basis.

### **Finding**

It was noted that not all employees had been enrolled in TPAF and/or PERS on a timely basis or did not have correct amounts withheld. In addition several employees who were terminated continued to be enrolled with their healthcare coverage.

### **Recommendation**

The school should perform a complete review to determine employees are in the TPAF/PERS plans, and that health insurance coverage is accurate and correct withholdings are made.

### **School Food Service**

The financial transactions and statistical records of the School Food Services Fund were maintained in satisfactory condition. The financial accounts, meal count record and eligibility applications were reviewed on a test-check basis. The number of meals claimed for reimbursement was verified against meal count records. There were no modifications noted. Reimbursement vouchers were properly computed and timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed did not exceed the number of valid applications on file times the number of operating days. The free and reduced priced meal policy is uniformly administered throughout the school. The required verification procedures for free and reduced price applications were available for review.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the costs of food and supplies used.

The school utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

The cash disbursement records reflected expenditures for program related goods and services. The 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 nonprofit status of the school food service. Net cash resources did not exceed three months average expenditures. (See Exhibit G-1). Exhibits reflecting Child Nutrition Operations are included in Section G of the Audit.

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

The records of the school were maintained in satisfactory condition.

### **Treasurer's Records**

The records of the school were maintained in satisfactory condition.

### **Enrollment Counts and Submissions to the Department**

My audit procedures included a test for information reported on October 15, 2014, and the last day of school for on-roll, special education, bilingual and low-income. No exceptions were noted.

The Charter School maintained work papers on the prescribed state forms or their equivalent. In addition, the Charter School maintained written procedures that appear to be adequate for the recording of student enrollment data.

**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 and other special Federal and/or State projects**

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 Titles I 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 non-compliance and/or questionable costs.

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

The school's other Special and/or State Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

My 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 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 the special projects indicated no areas of noncompliance.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with the *N.J.A.C. 6A:23-2.2(f)* and line item details as described in the Budget Summary Key as part of my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. 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.

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, my procedures included a review of the prior year recommendations. Not applicable - no prior year findings.

**ACKNOWLEDGEMENT**

I received the complete cooperation of all the officials of the charter school and I greatly appreciate the courtesies extended to me.

Respectfully submitted,

A handwritten signature in cursive script that reads "Scott J. Loeffler" followed by a small "CPA" in the upper right corner of the signature.

Scott J. Loeffler  
Licensed Public School Accountant  
No. 870

COMMUNITY CHARTER SCHOOL OF PATERSON  
 FOOD SERVICE FUND  
 NUMBER OF MEALS SERVED AND OVER/UNDER CLAIM  
 June 30, 2015

<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>POTENTIAL OVER-UNDER CLAIM</u>
NATIONAL SCHOOL LUNCH	FREE	124,466	124,466	124,466	0	3.055	0
	REDUCED	0	0	0	0	2.655	0
	PAID	11,711	11,711	11,711	0	0.034	0
	HHFKA	136,177	136,177	136,177	0	0.06	0
<b>TOTALS</b>		<b>136,177</b>	<b>272,354</b>	<b>136,177</b>	<b>0</b>		<b>0</b>

<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>POTENTIAL OVER-UNDER CLAIM</u>
SCHOOL BREAKFAST (SEVERE NEEDS)	FREE	111,642	111,642	111,642	0	1.93	0
	REDUCED	0	0	0	0	1.63	0
	PAID	11,501	11,501	11,501	0	0.28	0
<b>TOTALS</b>		<b>123,143</b>	<b>123,143</b>	<b>123,143</b>	<b>0</b>		<b>0</b>

<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>POTENTIAL OVER-UNDER CLAIM</u>
AFTER SCHOOL SNACKS	FREE	54,394	54,394	54,394	0	0.82	0
	REDUCED				0		0
	PAID				0		0
<b>TOTALS</b>		<b>54,394</b>	<b>54,394</b>	<b>54,394</b>	<b>0</b>		<b>0</b>

COMMUNITY CHARTER SCHOOL OF PATERSON  
 APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

SAMPLE														
GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMENTATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMENTATION	ERR
KINDERGARTEN	100	50	50	0	50	0	2	2	0	2	0	50	50	0
ONE	99	50	50	0	50	0	5	5	0	5	0	50	50	0
TWO	100	50	50	0	50	0	5	5	0	5	0	50	50	0
THREE	100	50	50	0	50	0	4	4	0	4	0	50	50	0
FOUR	100	50	50	0	50	0	7	7	0	7	0	50	50	0
FIVE	100	50	50	0	50	0	7	7	0	7	0	50	50	0
SIX	100	50	50	0	50	0	11	11	0	11	0	50	50	0
SEVEN	100	50	50	0	50	0	9	9	0	9	0	50	50	0
EIGHT														
TOTAL	799	400	400	0	400	0	50	50	0	50	0	400	400	0
PERCENTAGE				0.00%		0.00%			0.00%		0.00%			0.00%

**COMMUNITY CHARTER SCHOOL OF PATERSON  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL**

**SCHEDULE OF AUDITED ENROLLMENTS**

SAMPLE

GRADES	SUBMISSION TO DOE REPORTED ON ROLL	REPORTED ON WORK PAPERS	VERIFIED SIGNED REG FORMS	ERR	VERIFIED # OF DAYS ENROLLED	ERR	(INCLUDED IN COLUMN 1) SPECIAL ED & OR BILINGUAL	VERIFIED DOCUMENTATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMENTATION	ERR
	KINDERGARTEN	100	50	50	0	50	0	1	1	0	1	0	50	50
ONE	99	49	49	0	49	0	5	5	0	5	0	49	49	0
TWO	100	50	50	0	50	0	5	5	0	5	0	50	50	0
THREE	100	50	50	0	50	0	4	4	0	4	0	50	50	0
FOUR	100	50	50	0	50	0	6	6	0	6	0	50	50	0
FIVE	100	50	50	0	50	0	6	6	0	6	0	50	50	0
SIX	100	50	50	0	50	0	11	11	0	11	0	50	50	0
SEVEN	100	50	50	0	50	0	8	8	0	8	0	50	50	0
EIGHT														
<b>TOTAL</b>	<b>799</b>	<b>399</b>	<b>399</b>	<b>0</b>	<b>399</b>	<b>0</b>	<b>46</b>	<b>46</b>	<b>0</b>	<b>46</b>	<b>0</b>	<b>399</b>	<b>399</b>	<b>0</b>

PERCENTAGE 0.00% 0.00% 0.00% 0.00% 0.00%

**COMMUNITY CHARTER SCHOOL OF PATERSON  
NET CASH RESOURCE SCHEDULE**

Net cash resources did/did not exceed three months of expenditures  
Proprietary Funds - Food Service  
Year ended June 30, 2014

<u>Net Cash Resources:</u>		<b>Food Service B - 4/5</b>	
<b>CAFR</b>	*	<b>Current Assets</b>	
B-4		Cash & Cash Equiv.	\$ 87,085
B-4		Due from Other Gov'ts	37,703
B-4		Accounts Receivable	-
B-4		Investments	-
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	(12,666)
B-4		Less Accruals	-
B-4		Less Due to Other Funds	(88,343)
B-4		Less Deferred Revenue	-
		<b>Net Cash Resources</b>	<b><u>\$ 23,779</u></b>
			<b>(A)</b>
 <u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	470,311
B-5		Less Depreciation	-
		Adj. Tot. Oper. Exp.	<b><u>\$ 470,311</u></b>
			<b>(B)</b>
 <u>Average Monthly Operating Expense:</u>			
		B / 10	<b><u>\$ 47,031</u></b>
			<b>(C)</b>
 <u>Three times monthly Average:</u>			
		3 X C	<b><u>\$ 141,093</u></b>
			<b>(D)</b>

TOTAL IN BOX A	\$	23,779	
LESS TOTAL IN BOX D	\$	(141,093)	
NET	\$	<b><u>(117,314)</u></b>	

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

Source: Charter School's CAFR