

**THE ETHICAL COMMUNITY CHARTER SCHOOL  
AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS  
FINANCIAL COMPLIANCE AND PERFORMANCE  
FOR THE YEAR ENDED JUNE 30, 2021**

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

**TABLE OF CONTENTS**

Report of Independent Auditors .....	1
Scope of Audit .....	2
Administrative Practices and Procedures.....	2
Insurance .....	2
Official Bonds .....	2
Financial Planning, Accounting and Reporting.....	2
Examination of Claims .....	2
Payroll Account.....	3
Reserve for Encumbrances, and Accounts Payable.....	3
Classification of Expenditures.....	3
General Classification Findings .....	3
Administrative Classification Findings .....	3
Board's Secretary Accounting Records.....	3
Treasurer's Records .....	4
Elementary and Secondary Education Act (E.S.E.A) .....	4
Other Special Federal and/or State Projects .....	5
T.P.A.F. Reimbursement .....	5
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures.....	5
School Purchasing Programs .....	5
School Food Service.....	6
Enrollment Counts and Submissions to the Department.....	7
Facilities and Capital Assets.....	7
Student Body Activities .....	7
Testing for Lead of All Drinking Water in Educational Facilities.....	7
Follow-up on Prior Year Findings.....	8
Acknowledgement.....	9
Schedule of Audited Enrollments.....	10
Net Cash Resource Schedule .....	12
Audit Synopsis Recommendations .....	13

**GERALD D. LONGO**  
CERTIFIED PUBLIC ACCOUNTANT  
62 OLD QUEENS BLVD.  
MANALAPAN, NEW JERSEY 07726-3648

TELEPHONE  
732 446-4768

FAX  
732 792-0868

**REPORT OF INDEPENDENT AUDITORS**

The Honorable Chairman and  
Members of the Board of Trustees  
Ethical Community Charter School  
County of Hudson  
Jersey City, New Jersey

I 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 Ethical Community Charter School, in the County of Hudson, for the year ended June 30, 2021 and have issued my report thereon dated February 24, 2022.

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 Ethical Community 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.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo  
Certified Public Accountant

February 24, 2022

## **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.

#### **Administrative Practices and Procedures**

##### **Insurance**

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

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

<b><u>Position</u></b>	<b><u>Amount</u></b>
Board Secretary/School Business Administrator, Treasurer	\$150,000

#### **Financial Planning, Accounting and Reporting**

##### **Examination of Claims**

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

#### **Finding (R) #2021-001**

It was noted that for several invoices paid during the year which were selected randomly for my testing did not contain the proper back up support or contained exceptions as summarized below. It was further noted that most of the exceptions occurred in the early part of the fiscal year which was before the appointment of new accounting personnel and School Business Administrator.

- 1) Invoices did not have purchase orders attached or were not signed.
- 2) Invoices were not attached or missing.
- 3) Vendor certifications were missing on purchase orders and checks were released before obtaining certification.
- 4) Open purchase orders were not reviewed and reconciled on a timely basis.

#### **Recommendation**

The School should implement control procedures to ensure that invoices and voucher packages have the proper documentation and approvals before being entered into the accounting system and checks prepared and that open purchase orders be reviewed and adjusted on a timely basis. The school has implemented Internal control procedures that have been developed in which all purchase orders have invoices attached and vendor certifications properly signed. It was noted that most of the findings occurred prior to March 31, 2021.

### Payroll 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.

All payrolls were approved by the President of the Board and the Board Secretary/Business Administrator.

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

### Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. Exceptions were noted during my review.

### **Finding (R) #2021-002**

Open purchase orders and accounts payable were not reviewed for validity during the year.

### **Recommendation**

Open purchase orders and Accounts Payable must be reviewed and reconciled promptly after months end. Controls and procedures were implemented subsequent to March 31, 2021 to address this finding.

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the *N.J.A.C. 6A:23A-16.2(f)* 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, if applicable. In addition to randomly selecting a test sample, my sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. Overall compliance was noted.

#### **a) General Classification Findings**

No exceptions or discrepancies were noted in the general classification of expenditures.

#### **b) Administrative Classification Findings**

No exceptions or discrepancies were noted in the administrative classification of expenditures.

### Board Secretary's Records

In planning and performing my audit of the financial statements of the Charter School, I considered the condition of the Board Secretary's records for the purpose of expressing my opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, I have the following comments.

### **Finding (R) #2021-003**

It was noted that reconciled Board Secretary Financial reports reflecting Budget to Actual for Revenues and Expenditures were not prepared on a monthly basis for the entire fiscal year.

**Recommendation**

Reconciled Board Secretary Financial reports must be prepared promptly after months end and formally approved by the Board of Trustees and be included in the monthly minutes. The school has indicated that Board Secretary Financial Reports were prepared as of March 31, 2021 and were prepared monthly thereafter for Board approval.

**Account Analysis Schedule Preparation (R)**

**Finding #2021-004**

It was noted that Balance Sheet account analysis schedules were not prepared during the year. This increases the risk that mispostings or errors can occur and not be detected during the year or result in inaccurate board secretary reports.

**Recommendation**

The School must prepare account reconciliations on a timely basis for all Accounts Receivable, Accounts Payable and Revenue accounts to ensure that the General Ledger balances are properly reflected on the Board Secretary reports. The school has indicated that Board Treasury Reports are prepared monthly and approved by the Board. Account analysis are prepared and reconciled to the various fund trial balances as of March 31, 2021.

**Treasurer’s Records**

In planning and performing my audit of the financial statements of the Charter School, I considered the condition of the Treasurer’s Records for the purpose of expressing my opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, I have no comments.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under the various applicable programs 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 except as follows:

**Reimbursement Forms for ESEA and IDEA**

**Finding #2021-005**

The school had undergone a Collaborative Monitoring by the State of New Jersey for ESEA and IDEA grants for the period July 1, 2020 to December 20, 2020 and was issued a report dated April 2021. The report noted numerous issues that required corrective action.

**Recommendation**

The school issued a corrective action plan in May 2021 and subsequently issued and implemented procedures to address the findings in the report. The school has indicated the following:

Corrective Action Plan has been developed and submitted and approved by the Board.

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

The school's other Special and/or State Projects were approved as listed on Schedule A and Schedule B located in the ACFR.

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 ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated no areas of non compliance.

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

My audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the Ethical Community Charter School 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

For the fiscal year ended June 30, 2021, the Charter School did not have any TPAF/FICA payments made by the State on-behalf of the Charter School for any employees whose salaries are identified as being paid from federal funds.

#### 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 NJ Local Agency Procurement Laws webpage: <https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

Current statute is posted on the New Jersey Legislature (<http://www.njleg.state.nj.us/>) website.

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of N.J.S.A. 18A:18A-3 and 4.

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (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 \$19,600 for 2020-21.

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Charter School to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law.

The Charter School 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.

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.

The results of my 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 or supplies," 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.

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. My audit did reveal however, that the Charter School did make purchases under State contracts and cooperative purchasing agreements.

## **SCHOOL FOOD SERVICE**

### **Public Health Emergency**

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

During SY 2020-2021 the public health emergency was still applicable. As a result, School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A.18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all students during the emergency.

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, I 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. Exceptions were not noted.



I 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. Exceptions were not noted.

The SFA did undergo a School Nutrition Program Procurement Review and there were several minor recommendations. The Charter School's Corrective Action Plan was approved and corrective actions have been implemented at the time of this report.

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

Net cash resources did not exceed three months average expenditures.

The SFA did not submit a Non-competitive Emergency Procurement contract due to the public health emergency pandemic.

I inquired of school management and the SFA operated the meal service program in accordance with the National School Nutrition Program Seamless Summer Option (SSO) and reported the number of meals claimed for reimbursement in accordance with the applicable program regulations. Exceptions were not noted.

The SFA does utilize a food service management company (FSMC). The FSMC did not receive a loan in accordance with the Payroll Protection Plan.

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

My audit procedures included a test for information reported on October 15, 2020, 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.

#### **Facilities and Capital Assets**

A review of the capital assets were performed and no exceptions were noted.

#### **Student Body Activities**

Student activities during the fiscal year ended June 30, 2021 were reviewed. No exceptions were noted.

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

The Charter School adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The Charter School 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 Findings**

**(R)** – Denotes prior year finding which is repeated again this year.

A review of prior year findings noted that findings had not been corrected and are repeated above. A summary of prior year findings is as follows:

	<b><u>Finding #</u></b>
1) Examination of claims	#2021-001
2) Reserve for encumbrances and accounts payable	#2021-002
3) Board Secretary's records	#2021-003
4) Account analysis schedule preparation	#2021-004
5) Reimbursement forms for ESEA and IDEA	#2021-005

## ACKNOWLEDGEMENT

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

Respectfully submitted,

A handwritten signature in black ink, reading "Gerald D. Longo". The signature is written in a cursive style with a large initial "G" and "L".

Gerald D. Longo  
Certified Public Accountant  
Licensed Public School Accountant No. 20CS00206400

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

	<u>1</u>	<u>2</u>		<u>2a</u>	<u>2b</u>			<u>2c</u>		<u>3</u>			<u>3a</u>		<u>3b</u>		<u>4</u>	<u>4a</u>	
Grades	Submission to DOE reported On Roll	Reported on workpapers	Errors	50% Verification required 10/15/19	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Submission to DOE Reported Special Ed/Bilingual	Verified documentation	Errors	Verified # days Service Provider	Errors	Low Income	Verified documentation	Errors			
Pre Kindergarten																			
Kindergarten	40	20	0	20	20	0	20	0	0	0	0	0	0	9	9	0			
One	42	21	0	21	21	0	21	0	1	1	0	1	0	10	10	0			
Two	37	18	0	18	18	0	18	0	1	1	0	1	0	10	10	0			
Three	42	21	0	21	21	0	21	0	2	2	0	2	0	13	13	0			
Four	40	20	0	20	20	0	20	0	2	2	0	2	0	12	12	0			
Five	42	21	0	21	21	0	21	0	2	2	0	2	0	14	14	0			
Six	35	17	0	17	17	0	17	0	2	2	0	2	0	8	8	0			
Seven	42	21	0	21	21	0	21	0	3	3	0	3	0	13	13	0			
Eight	44	22	0	22	22	0	22	0	3	3	0	3	0	12	12	0			
Nine																			
Ten																			
Eleven																			
Twelve																			
<b>Total</b>	<b>364</b>	<b>181</b>	<b>0</b>	<b>181</b>	<b>181</b>	<b>0</b>	<b>181</b>	<b>0</b>	<b>16</b>	<b>16</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>101</b>	<b>101</b>	<b>0</b>			
Percentage			0.0%			0%		0%			0%		0%			0%			

**THE ETHICAL COMMUNITY CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF OCTOBER 15, 2021**

Grades	<u>1</u>	<u>2</u>		<u>2a</u>	<u>2b</u>	<u>2c</u>		<u>3</u>	<u>3a</u>		<u>3b</u>		<u>4</u>			<u>4a</u>		
	Submission to DOE reported On Roll	Reported on workpapers	Errors	50% Verification required 10/15/19	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Submission to DOE Reported Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors		
Pre Kindergarten																		
Kindergarten	40	20	0	20	20	0	20	0	1	1	0	1	0	9	9	0		
One	42	21	0	21	21	0	21	0	2	2	0	2	0	10	10	0		
Two	37	19	0	19	19	0	19	0	2	2	0	2	0	11	11	0		
Three	42	21	0	21	21	0	21	0	2	2	0	2	0	14	14	0		
Four	40	20	0	20	20	0	20	0	2	2	0	2	0	12	12	0		
Five	42	21	0	21	21	0	21	0	3	3	0	3	0	14	14	0		
Six	35	18	0	18	18	0	18	0	3	3	0	3	0	8	8	0		
Seven	42	21	0	21	21	0	21	0	4	4	0	4	0	14	14	0		
Eight	44	22	0	22	22	0	22	0	3	3	0	3	0	13	13	0		
Nine																		
Ten																		
Eleven																		
Twelve																		
<b>Total</b>	<b>364</b>	<b>183</b>	<b>0</b>	<b>183</b>	<b>183</b>	<b>0</b>	<b>183</b>	<b>0</b>	<b>22</b>	<b>22</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>105</b>	<b>105</b>	<b>0</b>		
Percentage			0.0%			0%		0%			0%		0%			0%		

**ETHICAL COMMUNITY CHARTER SCHOOL  
NET CASH RESOURCE SCHEDULE  
Net cash resources did/did not exceed three months of expenditures  
Proprietary Funds - Food Service  
FYE June 30, 2021**

**NOT APPLICABLE**

**THE ETHICAL COMMUNITY CHARTER SCHOOL  
AUDIT SYNOPSIS RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

It is recommended that:

1. Administrative Practices and Procedures

NONE

2. Financial Planning, Accounting and Reporting

Findings #2021-001, #2021-002, #2021-003, #2021-004, #2021-005

3. School Purchasing Program

NONE

4. School Food Service

NONE

5. Student Body Activities

NONE

6. Charter School Enrollment System

NONE

7. Facilities and Capital Assets

NONE

8. Miscellaneous

NONE

**THE ETHICAL COMMUNITY CHARTER SCHOOL  
AUDIT SYNOPSIS RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

9. Status of Prior Year's Findings Recommendations

A review was performed on the prior year recommendations and corrective action was not taken on any prior year findings, which are repeated in this year's recommendations:

	<b><u>Finding #</u></b>
1) Examination of claims	#2021-001
2) Reserve for encumbrances and accounts payable	#2021-002
3) Board Secretary's records	#2021-003
4) Account analysis schedule preparation	#2021-004
5) Reimbursement forms for ESEA and IDEA	#2021-005