

**BELOVED COMMUNITY
CHARTER SCHOOL
AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

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REPORT OF INDEPENDENT AUDITORS

The Honorable Chairman and
Members of the Board of Trustees
Beloved 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 Beloved Community Charter School, in the County of Hudson, for the year ended June 30, 2022 and have issued my report thereon dated May 4, 2023.

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 Beloved 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

May 4, 2023

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.

<u>Position</u>	<u>Amount</u>
Board Secretary/School Business Administrator, Treasurer	\$200,000

P.L.2020,c.44

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A.18A:16-13.3 (Chapter 44) submitted for the year on audit.

The bill includes a provision that permits charter school employers to not implement Chapter 44 unless they have a collective negotiation agreement with any of their employees in place on or after the law's effective date. The Charter School does not have a collective negotiation agreement in place, and therefore, is not required to implement Chapter 44.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated several discrepancies with respect to signatures, certification or supporting documentation. (See Finding #2020-1)

Finding - #2022-001 (Repeat finding for year ending June 30, 2021)

It was noted that 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 follows:

- 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.

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.

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. No exceptions were noted during my review.

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. 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*. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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

My review of the financial and accounting records maintained by the business office disclosed exceptions as follows:

Finding #2022-02

As a function of effective internal controls, the general ledger should be maintained and reconciled to subsidiary records on a timely basis in accordance with NJ SA 18A17-9.

Recommendation

That the Charter School reviews and implements internal controls to ensure the accuracy of all financial reports.

Treasurer's Records

My review of the financial and accounting records maintained by the Treasurer disclosed exceptions as follows:

Finding #2022-003

NJSA 18A 17-9 requires that accurate monthly reconciliations of all bank accounts are prepared on a timely basis and prepared prior to the completion of the Board Secretary's monthly reports.

Recommendation

That the Charter School reviews and implements internal controls to ensure the accuracy of all financial reports and that formal monthly case reconciliations for all Charter School funds be prepared on a timely basis.

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 areas of non compliance as follows:

Finding #2022-004

A collaborative monitoring audit was performed by the NJ DOE and an audit report was issued in July 2022 covering various federal programs. The audit found numerous areas of non compliance.

Recommendation

It is recommended that both Charter School program and fiscal staff work collaboratively, to institute policies and procedures to ensure all Federally funded program requirements are adhered to.

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 areas of non compliance. (See Finding #2202-04)

T.P.A.F. Reimbursement

My audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the Beloved 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

The amount of the expenditure charged to the current year's Final Report 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 not made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. Exceptions were noted.

Finding #2022-005

The charter school did not thoroughly review those employees whose salaries were identified as being paid from federal funds in order to reimburse the State for TPAF/FICA payments.

Recommendation

It is recommended that the charter school review all employees whose salaries are paid from federal funds and those employees who the charter school has received TPAF/FICA State on-behalf payments for and then reimburse the State for those that were federally funded.

Finding #2022-006

The charter school did not submit the TPAF/FICA reimbursements to the State for federal salary expenditures prior to the end of the 90 day grant liquidation period.

Recommendation

It is recommended that the charter school submit its reimbursement in a timely manner and before the 90 day grant liquidation period.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States:

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.

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 \$20,200 for 2021-22.

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.

In as much 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. Governor Murphy's emergency declaration ended June 4, 2021; however, the United States Department of Agriculture's federal waiver continued through June 30, 2022. Food Service Agencies operated under this federal waiver. 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). SFAs could also choose to participate in the National School Lunch Program utilizing standard counting and claiming practices.

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 financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records were reviewed on a test-check basis. Cash receipts and bank records were reviewed for timely deposit. Exceptions were noted.

The charter school utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC Cost Reimbursable Fixed Price contract was reviewed and audited. The FSMC contract has no guarantees that the food service program will break even, return a profit, or limit a loss. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually. No exceptions were noted.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed, and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursements 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. No exceptions were noted.

The SFA recorded and maintained separate supporting documentation for additional costs (food, supplies, transportation, etc.) applicable to the implementation of the COVID-19 meal service under SSO program requirements. No exceptions were noted.

The FSMC did not apply for a loan in accordance with the Payroll Protection Plan.

Net cash resources did not exceed three months average expenditures.

The SFA did not have any food service employees and no food service funds were for payroll related expenditures.

Finding - #2022-007

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were not submitted/certified in a timely manner. As a result the NJDOE did not reimburse the school for one months claim.

Recommendation

The school implement procedures to ensure timely submission of reimbursement claims.

The charter school participated in the Seamless Summer Option, and therefore, the collection of Applications for Free and Reduced Price School Meals were encouraged but not required for the 2021-2022 school year. All participating students were considered eligible for free meals for the duration of the school year. Applications for free and reduced price meals were reviewed for completeness and accuracy. The required verification procedures for free and reduced price applications was not applicable for the school year. No exceptions noted.

The number of free meals claimed as served was compared to the number students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. No exceptions noted.

Examination for compliance with all counting and claiming requirements for Provisions I and II was not applicable to the charter school.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Enrollment Counts and Submissions to the Department

My audit procedures included a test for information reported on October 15, 2021, 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

Not applicable.

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

In accordance with *Government Auditing Standards*, my procedures included a review of the prior year audit recommendations including findings. Corrective action had not been taken on prior finding 2021-001 which is repeated again in this years report.

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, appearing to read "Gerald D. Longo". The signature is written in a cursive style with a large initial "G".

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

BELOVED CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2021

<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 10/15/21	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Submission to DOE Reported Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors				
	Pre Kindergarten																			
Kindergarten	119	60	0	60	60	0	60	0	4	4	0	4	0	40	40	0				
One	116	58	0	58	58	0	58	0	5	5	0	5	0	42	42	0				
Two	120	60	0	60	60	0	60	0	3	3	0	3	0	42	42	0				
Three	116	58	0	58	58	0	58	0	4	4	0	4	0	47	47	0				
Four	118	59	0	59	59	0	59	0	4	4	0	4	0	43	43	0				
Five	118	59	0	59	59	0	59	0	4	4	0	4	0	43	43	0				
Six	119	60	0	60	60	0	60	0	5	5	0	5	0	48	48	0				
Seven	119	60	0	60	60	0	60	0	8	8	0	8	0	44	44	0				
Eight	122	61	0	61	61	0	61	0	6	6	0	6	0	49	49	0				
Nine																				
Ten																				
Eleven																				
Twelve																				
Total	1067	535	0	535	535	0	535	0	43	43	0	43	0	398	398	0				
Percentage			0.0%			0%		0%			0%		0%			0%				0%

**BELOVED CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE 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	Reported on		50% Verification required 6/30/22	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Submission to DOE Reported Special Ed/ Bilingual	Verified		Verified # days		Low Income	Verified		Errors		
	On Roll	workpapers	Errors							documentation	Errors	Service Provided	Errors		documentation	Errors			
Pre Kindergarten																			
Kindergarten	119	59	0	59	59	0	59	0	3	3	0	3	0	39	39	0			
One	116	58	0	58	58	0	58	0	5	5	0	5	0	42	42	0			
Two	120	60	0	60	60	0	60	0	2	2	0	2	0	42	42	0			
Three	116	58	0	58	58	0	58	0	4	4	0	4	0	46	46	0			
Four	118	59	0	59	59	0	59	0	3	3	0	3	0	43	43	0			
Five	118	59	0	59	59	0	59	0	4	4	0	4	0	43	43	0			
Six	119	59	0	59	59	0	59	0	4	4	0	4	0	47	47	0			
Seven	119	59	0	59	59	0	59	0	7	7	0	7	0	44	44	0			
Eight	122	61	0	61	61	0	61	0	6	6	0	6	0	49	49	0			
Nine																			
Ten																			
Eleven																			
Twelve																			
Total	1067	532	0	532	532	0	532	0	38	38	0	38	0	395	395	0			
Percentage			0.0%			0%		0%			0%		0%			0%			0%

**BELOVED 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, 2022**

NOT APPLICABLE

**BELOVED COMMUNITY CHARTER SCHOOL
AUDIT SYNOPSIS RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding - #2022-001 (Repeat finding for year ending June 30, 2021)

It was noted that 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 follows:

- 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.

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.

Finding #2022-02

As a function of effective internal controls, the general ledger should be maintained and reconciled to subsidiary records on a timely basis in accordance with NJ SA 18A17-9.

Recommendation

That the Charter School reviews and implements internal controls to ensure the accuracy of all financial reports.

Finding #2022-003

NJSA 18A 17-9 requires that accurate monthly reconciliations of all bank accounts are prepared on a timely basis and prepared prior to the completion of the Board Secretary's monthly reports.

Recommendation

That the Charter School reviews and implements internal controls to ensure the accuracy of all financial reports and that formal monthly case reconciliations for all Charter School funds be prepared on a timely basis.

Finding #2022-004

A collaborative monitoring audit was performed by the NJ DOE and an audit report was issued in July 2022 covering various federal programs. The audit found numerous areas of non compliance.

Recommendation

It is recommended that both Charter School program and fiscal staff work collaboratively, to institute policies and procedures to ensure all Federally funded program requirements are adhered to.

Finding #2022-005

The charter school did not thoroughly review those employees whose salaries were identified as being paid from federal funds in order to reimburse the State for TPAF/FICA payments.

Recommendation

It is recommended that the charter school review all employees whose salaries are paid from federal funds and those employees who the charter school has received TPAF/FICA State on-behalf payments for and then reimburse the State for those that were federally funded.

Finding #2022-006

The charter school did not submit the TPAF/FICA reimbursements to the State for federal salary expenditures prior to the end of the 90 day grant liquidation period.

Recommendation

It is recommended that the charter school submit its reimbursement in a timely manner and before the 90 day grant liquidation period.

3. School Purchasing Program

Finding - #2022-007

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed.

Reimbursement claims were not submitted/certified in a timely manner. As a result the NJDOE did not reimburse the school for one months claim.

Recommendation

The school implement procedures to ensure timely submission of reimbursement claims.

4. School Food Service

None

5. Student Body Activities

Not applicable

6. Charter School Enrollment System

None

7. Miscellaneous

None

8. Facilities and Capital Assets

None

9. Status of Prior Year's Findings Recommendations

In accordance with *Government Auditing Standards*, my procedures included a review of the prior year audit recommendations including findings. Corrective action had not been taken on prior finding 2020-001 which is repeated again in this years report. (Finding #2021-01)