

**THE ETHICAL COMMUNITY CHARTER SCHOOL
OF JERSEY CITY
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**

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REPORT OF INDEPENDENT AUDITORS

The Honorable Chairman and
Members of the Board of Trustees
Ethical Community Charter School of Jersey City
County of Hudson
Jersey City, 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 Ethical Community Charter School of Jersey City, in the County of Hudson for the year ended June 30, 2015 and have issued my report thereon dated November 19, 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 Ethical Community Charter School of Jersey City Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public records and its distribution is not limited.



Scott J. Loeffler
Licensed Public School Accountant No. 870

November 19, 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, the activities of the Board of Trustee's, and the records of the various funds under the auspices of the Board of Trustee's.

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>.

Effective July 1, 2010 and thereafter the 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 the 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 indicated minor exceptions with respect to signatures, certification and supporting documentation.

Payroll Account

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

Salary withholdings were promptly remitted to the proper agencies.

All payrolls were certified by the Chairperson of the Board and Board Secretary/Business Administrator.

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 reserves 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.

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.

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 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 F-1).

Exhibits reflecting Child Nutrition Operations are included in Section F of the Audit.

Board Secretary's Records

Generally the records of the Secretary of the Board were maintained in satisfactory condition.

Generally the bids received were summarized in the minutes (NJSA 18A:18A-21).

Acknowledgements of the School's receipt of the Board Secretary's monthly financial reports were all included in the minutes.

GAAP Accounting Implementation

The school's double entry system of accounting records were maintained in accordance with the Department of Education's prescribed GAPP Technical Systems Manual, pursuant to N.J.S.A. 18A: 4-14 and N.J.S.A. 6:20-2A. The GAAP Accounting System provides adequate capabilities for monthly reporting.

Enrollment Counts and Submissions to the Department

My audit procedures included tests of information reported on the October 15, 2014, and the last day of school for on-roll, special education, bilingual and low-income.

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

The school maintained work papers on the prescribed state forms or their equivalent.

Tuition Charges

Not applicable.

T.P.A.F. Reimbursement

My audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity Fund.

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

The E.S.E.A. 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.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs except as noted below:

Other Special Federal and /or State Projects

The charter school's Special Projects were approved as listed on Schedule A and Schedule B 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 with other special federal and/or state projects indicated no areas of noncompliance and/or questionable costs.

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 findings. Corrective action had been taken on prior year findings.

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 that reads "Scott J. Loeffler" with a small "CSA" written in the upper right corner of the signature.

Scott J. Loeffler
Licensed Public School Accountant No. 870

THE ETHICAL COMMUNITY CHARTER SCHOOL OF JERSEY CITY
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	18,345	18,345	18,345	0	3.035	0
	REDUCED	30	30	30	0	2.635	0
	PAID	27,112	27,112	27,112	0	0.032	0
TOTALS		45,487	45,487	45,487	0		0

<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	FREE	18,345	18,345	18,345	0	1.62	0
	REDUCED	0	0	0	0	1.32	0
	PAID	0	0	0	0	0.28	0
TOTALS		18,345	18,345	18,345	0		0

THE ETHICAL COMMUNITY CHARTER SCHOOL OF JERSEY CITY
 APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014

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 DOCUMENTEN- TATION	ERR	VERIFIED # OF DAYS SERVICE PROVIDED	ERR	LOW INCOME	VERIFIED DOCUMENTEN- TATION	ERR
KINDERGARTEN	45	23	23	0	23	0	1	1	0	1	0	8	8	0
ONE	44	22	22	0	22	0	2	2	0	2	0	9	9	0
TWO	41	21	21	0	21	0	2	2	1	2	1	6	6	0
THIRD	43	22	22	0	22	0	2	2	0	2	0	7	7	0
FOURTH	43	22	22	0	22	0	3	3	0	3	0	7	7	0
FIFTH	56	28	28	0	28	0	7	7	1	7	1	13	13	0
SIXTH	39	20	20	0	20	0	3	3	1	3	1	10	10	0
TOTAL	311	158	158	0	158	0	20	20	3	20	3	60	60	0
PERCENTAGE				0.00%		0.00%			15.00%		0.00%			0.00%

THE ETHICAL COMMUNITY CHARTER SCHOOL OF JERSEY CITY
 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	45	22	22	0	22	0	0	0	0	0	0	8	8	0
ONE	44	22	22	0	22	0	1	1	0	1	0	8	8	0
TWO	41	20	20	0	20	0	2	2	0	2	0	6	6	0
THIRD	43	21	21	0	21	0	1	1	0	1	0	6	6	0
FOURTH	43	21	21	0	21	0	3	3	0	3	0	7	7	0
FIFTH	56	28	28	0	28	0	6	6	0	6	0	13	13	0
SIXTH	39	19	19	0	19	0	3	3	0	3	0	10	10	0
TOTAL	311	153	153	0	153	0	16	16	0	16	0	58	58	0
PERCENTAGE				0.00%		0.00%			0.00%		0.00%			0.00%

Ethical Charter School
NET CASH RESOURCE SCHEDULE
Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
FYE June 30, 2015

<u>Net Cash Resources:</u>	<u>Food Service B - 4/5</u>	
CAFR *		Current Assets
B-4	-	Cash & Cash Equiv.
B-4		Due from Other Gov'ts
B-4	35,809	Accounts Receivable
B-4		Investments
CAFR		Current Liabilities
B-4	(35,809)	Less Accounts Payable
B-4		Less Accruals
B-4		Less Due to Other Funds
B-4		Less Deferred Revenue
	<u>-</u>	Net Cash Resources
	<u><u>-</u></u>	(A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	123,502	Tot. Operating Exp.
B-5	-	Less Depreciation
	<u>123,502</u>	Adj. Tot. Oper. Exp.
	<u><u>123,502</u></u>	(B)
 <u>Average Monthly Operating Expense:</u>		
	<u>12,350</u>	B / 10
	<u><u>12,350</u></u>	(C)
 <u>Three times monthly Average:</u>		
	<u>37,051</u>	3 X C
	<u><u>37,051</u></u>	(D)

TOTAL IN BOX A	\$	-	
LESS TOTAL IN BOX D	\$	37,050.60	
NET	\$	<u>37,050.60</u>	
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 - USDA resource management comprehensive review form