

Observations and Recommendations

To Board of Directors of
The Ethical Community Charter School

As a result of our audit for the year ended June 30, 2012, we want to provide feedback to comments we made in the prior year:

I - Follow-up to comments made in the prior year

Submission of Annual School Year Full-Time Equivalent Reconciliation Report

The School is required to submit an annual full-time equivalent reconciliation report to the New York City Department of Education by August 1 of each year. In the prior year, the report was submitted on September 2, approximately one month after the due date. We recommended that management institute a process that monitors deadlines more closely to help ensure the report is timely submitted to the NYCDOE by the due date.

Follow up for June 30, 2012: This matter has been resolved.

Escrow Account

In the prior year, we noted that the School had not fully funded a separate escrow account as required. We recommended the School fully fund this account.

Follow up for June 30, 2012: At year end, the escrow account was fully funded.

Check Processing

In the prior year, we noted several situations where the check signing policy had not been followed.

Follow up for June 30, 2012: We did not note any similar instances during this year's testing.

Expense Documentation-Telephone Vendor Payments

In the prior year, we noted a lack of policy for payments made electronically (via phone).

Follow up for June 30, 2012: We did not note any payments via phone during this year's testing.

Payroll

In the prior year we noted several employee files that lacked the required documentation.

Follow up for June 30, 2012: We did not note any similar problems in the current year.

Government grants

In our prior year's management letter, we noted the School received funding, under cost reimbursement government grants, by submitting a voucher claim that indicates they spent money that had been pre-approved under terms of the grant. It is important to be able to provide a trail of which expenses have been claimed for reimbursement from each funding source.

We recommended that the financial consultant track all restricted income and expenses in its own class and generate a report from the accounting system to be used for submitting vouchers. This would provide a stronger trail within the books to provide support of expenses claimed and reduce the risk of disallowances by the government under grant agreements.

Follow up for June 30, 2012: The books have been established in a way to track separate funding sources.

Timesheets

In our prior year's management letter, we noted that teachers were not required to sign a timesheet to document their attendance in school. We recommended the School have a process in place that required teachers to sign in and thereby document their time worked in the School. The attendance sheets should be maintained by the office manager, with the principal signing off as evidence her approval.

Follow up for June 30, 2012: This matter has been resolved. We noted that teachers are required to sign a timesheet to document their attendance in the school.

Board Governance Matters For Form 990

In our prior year's management letter, we informed you about several policies and practices that the school had not been performing such as documenting the process for compensation of management, and having a record retention and document destruction policy.

Follow up for June 30, 2012: These policies have been developed, therefore this matter has been resolved.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.


Schall & Ashenfarb
Certified Public Accountants, LLC

October 24, 2012