

**INDEPENDENT AUDITOR'S MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND
PERFORMANCE**

M. E. T. S. CHARTER SCHOOL

JUNE 30, 2015

ILORI CPA LLC

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANT

**M.E.T.S. CHARTER SCHOOL
 ADMINISTRATIVE FINDINGS
 FINANCIAL, COMPLIANCE AND PERFORMANCE
 COUNTY OF HUDSON**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditor’s Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds.....	2
Financial Planning, Accounting and Reporting	
Examination of Claims	3
Payroll Account	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	4
. General Classifications	4
. Administrative Classification	4
Board Secretary’s Reports	4
Facilities and Capital Assets.....	4
Treasurer’s Records	5
Elementary and Secondary Education Act/Improving America’s School Act as Reauthorized by the No Child Left Behind Act of 2001	5
Other Special Federal and/or State Projects	5
T.P.A.F. Reimbursement	9
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids.....	10
School Food Service	10
Student Body Activities.....	10
Enrollment Count and Submission to the Department/Charter School Aid	11
Miscellaneous.....	N/A
Schedule of Meal Count Activity.....	N/A
Follow-up on Prior Year Findings	12
Acknowledgment	12
Schedule of Audited Enrollments	13-14



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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members of
Board of Trustees
M.E.T.S. Charter School
County of Hudson, New Jersey

We 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 M.E.T.S Charter School (the "Charter School") in the County of Hudson in the State of New Jersey for the year ended June 30, 2015, and have issued our report thereon, dated November 23, 2015.

As part of our audit, we performed procedures required by the State of 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 School's management, Board of Trustees and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

ILORI CPA LLC

Kunle Dlori

Kunle B. Ilori CPA
Licensed Public School Accountant
No. 20CS00233100

Dlori CPA LLC

Newark, New Jersey
November 23, 2015

**M.E.T.S CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Scope of Audit

The audit covered the financial transactions of 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. Additional items discovered during our audit are also stated in this report.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the charter school's CAFR.

Official Bonds (N.J.S.A 18A:17-26, 18A:17-32) as of June 30, 2015

<u>Position</u>	<u>Amount</u>
School Business Administrator	\$155,000

Our review of insurance policies disclosed that the Charter School maintains fidelity insurance on officers in certain financial position such as the School Business Administrator and the Board Treasurer

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the school.

Financial Planning, Accounting and Reporting

Examination of Claims

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

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Financial Planning, Accounting and Reporting – Continued

Payroll Account

The net salaries of all employees of the Charter School were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the payroll agency account.

Employees' payroll deductions and employee's share of fringe benefits including health were deposited in the agency account in accordance with N.J. A. C. 5:30-17 to be remitted to appropriate governmental agencies or outside party such as State Educational Health Insurance Benefits Plan.

E-CERTI

The required certification (E-CERTI) of compliance for income tax on compensation (lead person, principals and business administrator) to the NJ Department of treasury was completed and filed by the March 15 due date as required by N.J.S.A. 18A: 14.4

Payroll Certification

In accordance with the due NJDOE, each payroll processing must be certified by the School Business Administrator (SBA). We noted evidence of certification by the School Business Administrator for fiscal year ended June 30, 2015.

Reserve for Encumbrance

A review of outstanding purchase orders was made as of June 30 for proper classification of purchase orders as Reserve for Encumbrances and Accounts Payable. All items tested were properly classified except for certain accruals which were subsequently posted the accounting records.

Travel

While there was no travel event that was up to \$5,000 or more which would require approval of the County superintendent of Education. The charter school has a travel policy that is consistent and complies with N.J.A.C. 6A:23A-5.9.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Financial Planning, Accounting and Reporting -continued

A. General Classification Findings and (B) Administration classification findings

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with the N.J.A.C. 6A:23-2.2(g) and line item details as described in the Budget Summary Key as part of our test of transactions of randomly selected expenditure items. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Procedure

We performed a test of transactions for completeness and accuracy as well as compliance with New Jersey Department of Education regulations.

Result

Our test revealed no exceptions:

- a) The samples of the transactions selected were with purchase orders or other supporting documents such as invoice and were properly accounted for in the Board Secretary Report.
- b) The samples transactions with purchase orders were signed by the vendors for authentication as required for all governmental entities including schools and authorized by Board of Trustees.

Board Secretary's Records

Our review of the financial and accounting records maintained by the business office disclosed no exceptions.

Minutes of Board of Trustees

The minutes of Board of Trustees for the period from July 2014 to June 30, 2015 and subsequent periods to the yearend were properly documented.

Capital Assets

The asset inventory was updated for additions and disposals during the course of the fiscal year with their related depreciation expense.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Financial Planning, Accounting and Reporting -continued

Treasurer's Records

The school does not maintain position of treasurer school of moneys; rather the school business administrator handles all administrative issues and has engaged independent accountant to verify to the Board of Trustees that they have performed a review of the school's operating account, payroll account and payroll agency account each month. The certification is attached to the monthly financial reports and made part of the minutes.

**Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (IASA)
as reauthorized by No Child Left Behind Act of 2001.**

The E.S.E.A/N.C.L.B 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 Act as amended and reauthorized. The study of the compliance for E.S.E.A.N/ N.C.L.B did not disclose exceptions regarding the compliance.

Other Special Federal and/or State Projects

The charter school's Special Grants were approved as listed on Schedules A and B located in the CAFR.

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.

In a follow up procedures to determine the impact of monitoring activities by the oversight agency as well as auditing procedures for NCLB and IDEA programs, the status of the conditions cited by New Jersey Department of Education consolidated monitors report are as follows:

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

**Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (IASA)
as reauthorized by No Child Left Behind Act of 2001- Continued**

Title I:

This school used Title I funds to support teacher salaries and benefits and used IDEA funds to offset the salaries and benefits of employee

Finding:

The Title I participation letter(s) informing parents of Title I eligible students about the Title I programs did not have clearly defined program entrance and exit criteria. Without this information, parents are unable to understand the reasons for their child being selected to participate in the Title I program, and what is needed for their child to exit the program.

Status:

Management has implemented the recommendation.

Finding

There was no evidence the school's Title I parental involvement policy was reviewed and board adopted for the 2014-2015 school year. The annual review and current board adoption allow parents and other stakeholders to impact the parental involvement process and identify the unique needs of the Title I schools and parents of Title I students.

Status:

A new policy has been adopted by the Board of Trustees to address parental involvement.

Finding:

The school's use of FY 2014-2015 Title I funding for the parent liaison and technology specialist positions supplanted state/local funds. These positions benefitted all students, not just the lowest-performing students.

Status:

Recommendation has been implemented, allocation is being used when necessary and allocable.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Finding:

The READ 180 program was a replacement program for the English Lab and supplanted state/local funds. The Title I students participated in the English Language Arts class and the READ 180 class, while the non-Title I students participated in English Language Art class and the English Lab. For the READ 180 program to not be a replacement program and be supplemental, the Title I students would need to participate in the English Lab as well.

Status:

Recommendation has been implemented.

Finding:

The school did not consistently conduct all required sections of the functional assessment as a component of initial evaluations for students referred for special education and related services. Initial evaluation reports did not contain observations in a non- a review of prior interventions documented by the teacher(s) or others who work with the student, and other informal measures.

Status:

Recommendation has been implemented.

Finding:

The school did not consistently maintain documentation of the description, frequency, duration and effectiveness of the interventions provided in the general education setting through the intervention and Referral Service (I&RS).

Status:

Recommendation has been implemented.

Finding:

The child study team providing services are not employees of the school. Child study team services are provided by contracted independent consultants.

Status:

Social worker and Special Education teachers are employees of the charter School.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Finding:

The school did not consistently document in the IEPs of students removed from the general education setting for more than 20 percent of the school day including students placed in separate settings, consideration of placement in the least restrictive environment. Specifically, IEPs did not consistently include:

- Documentation of the comparison of the benefits provided in the regular class and the benefits provided in the special education class; and
- For students in a separate setting, activities to transition the student to a less restrictive environment.

Status:

Recommendation has been implemented'

Finding:

The school did not consistently document all required considerations and statements in the IEPs of students referred for special education and related services. IEPs developed did not consistently include:

- Statement of how progress towards annual goal(s) will be measured.
- For students age 14, a description of the need for consultation with other agencies, if applicable;
- For students age 16 and older, documentation of the student's strengths and interest; evidence that the measureable post-secondary goal(s) were based on age appropriate transition assessments;
- A statement of needed interagency linkages and responsibilities; and
- The student's courses of study.

Status:

Management has prepared a written corrective action plan with standard operating procedures for assessment and classification to be adhered to.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Finding:

The school did not consistently conduct reevaluations within three years of the previous classification date for students eligible for special education and related service. In addition, when assessments were conducted as part of the reevaluation process, the school did not complete assessments within 60 days of receipt of parental consent.

Status:

Recommendation is being followed and utilization of assessment work papers as part of operating procedures will mitigate the exposure.

On Behalf Payments

FICA Reimbursement

Our audit procedures included a test of the biweekly FICA reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers Pension and Annuity (TPAF) Fund. No exceptions were noted in the process.

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 website <http://www.state.nj.us/njded/pscl/index.html>.

Effective July 1, 2010 and thereafter the bid in accordance with N.J.S.A 18A:18A-3 (as amended) and 18A:39-3 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 N.J.S.A. 18A: 39-3 is currently \$17,200.

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 questions arise 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.

We noted no exceptions to the procedures for school purchasing contracts

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

School Food Service (Reimbursement basis)

The Jersey City Board of Education maintained the financial transactions and statistical records of the charter school food services. The Jersey Board of Education is responsible for the reporting requirements of the Charter School's food program as integral part of its Comprehensive Annual Financial Report (CAFR). However, we reviewed the applications for eligibility requirements of the program and noted no exceptions.

Student Body Activities

In planning and performing our audit of financial statements of the Charter School, we considered the condition of the student activities fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records.

Our review of student activity accounts revealed that proper procedures are in place for collection and depositing of the funds by advisors or teachers.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Enrollment Counts and Submission to the Department

Finding:

We reviewed the enrollment process with the management; we noted that the school has no written internal procedures that describe the count process for the two enrollment counts.

Recommendation

We recommend that the School develop enrollment procedure as required by New Jersey Department of Education. The procedures should describe how the count was taken, who was responsible for compiling the data, completing the enrollment count submission, and detail various responsibilities for collection of the data and the follow up procedures to make amendments if necessary. The work papers and other supporting documents are to be maintained for seven years.

Finding

There were a lot of instances where the numbers of days reported to the state via DOENET were significantly different to the number of days counted on the school register as disclosed in the accompanying schedule of enrollment. It must be noted that the school follows proper protocols in addressing excessive absences.

Recommendation

The charter school must establish and implement procedures to ensure that the enrolled days of any student in the DOENET system matches the days on the school register. The Charter school must notify the school resident district of drop out where a student is absent for 10days. In addition, the Charter school should exercise better control over input into the school register to enhance accuracy and completeness of the data.

**M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
COUNTY OF HUDSON**

Follow-up on Prior Year Findings

In accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, our procedures include review of prior year findings and recommendations in relation to the corrective action plan undertaken by the School. Corrective Action Plan was implemented except for the repeat occurrences.

Acknowledgment

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of our audit team.

METS CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

Grades	(State) Submission to DOE	Reported on Work Papers	Verified Signed Registration	Errors	Verified No. Days Enrolled	Errors	Special Ed And/Or Bilingual	Verified Documentation	Errors	Verified No. Days Services Provided	Errors	Low Income	Verified Documentation	Errors
GRADE 6	68	31	22	9	31	0	0	0	0	0	0	31	29	2
GRADE 7	74	32	30	2	32	0	3	3	0	3	0	32	32	0
GRADE 8	98	41	40	1	41	0	2	2	0	2	0	41	39	2
GRADE 9	91	47	46	1	47	0	7	7	0	7	0	47	46	1
GRADE 10	95	54	53	1	54	0	5	4	1	4	1	54	52	2
GRADE 11	78	40	40	0	40	0	4	4	0	4	0	40	39	1
GRADE 12	77	46	46	0	46	0	2	2	0	2	0	46	44	2
TOTAL	581	291	277	14	291	0	23	22	1	22	1	291	281	10

PERCENTAGE

4.81%

0.00%

4.35%

4.35%

3.44%

METS CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF JUNE 30, 2015

SCHEDULE OF AUDITED ENROLLMENTS

Grades	(State) Submission to DOE	Reported on Work Papers	Verified Signed Registration	Errors	Verified No. Days Enrolled	Errors	Special Ed And/Or Bilingual	Verified Documentation	Errors	Verified No. Days Services Provided	Errors	Low Income	Verified Documentation	Errors
GRADE 6	68	37	27	10	37	0	3	2	1	2	1	37	36	1
GRADE 7	74	42	40	2	42	0	2	2	0	2	0	42	41	1
GRADE 8	98	57	55	2	57	0	4	4	0	4	0	57	55	2
GRADE 9	91	44	44	0	44	0	9	9	0	9	0	44	43	1
GRADE 10	95	41	40	1	41	0	4	4	0	4	0	41	40	1
GRADE 11	78	38	38	0	38	0	3	2	1	2	1	38	37	1
GRADE 12	77	31	31	0	31	0	4	4	0	4	0	31	30	1
TOTAL	581	290	275	15	290	0	29	27	2	27	2	290	282	8

PERCENTAGE

5.17%

0.00%

6.90%

7.41%

2.76%