

M.E.T.S. CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2017

M.E.T.S. CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2017
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November 10, 2017

The Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
Jersey City, NJ


We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Trustees of M.E.T.S. Charter School for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 10, 2017.

As part of our audit, we 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 letter does not affect our report dated November 10, 2017, on the financial statements of the Board.

We will review the status of the comments, if any, during our next audit engagement. We have already discussed the comments, recommendations and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations and suggestions.

This report is intended solely for the information and use of M.E.T.S. Charter School's Board of Trustees, the management, and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP
NISIVOCCIA LLP


John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Assistant Board Secretary, the activities of the Charter School, the records of the various funds under the auspices of the Charter School.

Administrative Practices and Procedures

Insurance

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

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Jayson Gutierrez	Business Administrator	\$ 200,000

There is a Public Employees' Faithful Performance Blanket Position Bond through the New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$100,000. Surety Bond coverage was not obtained for the Treasurer of School Moneys as required by Statute. However, Lerch Vinci & Higgins LLP performed the treasurer functions and they have an insurance policy for their firm.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review indicated discrepancies with respect to signatures, certification or supporting documentation, no exceptions were noted.

Payroll Account and Position Control Roster

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

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings due to the general fund.

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Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster (Cont'd)

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

Finding:

- 1) During our testing of employee health benefits withholdings, we found that these deductions were not properly calculated.
- 2) During our audit, we noted that the Charter School's unemployment compensation insurance is funded under the "benefit reimbursement method". However, the Charter School did not have a separate trust fund for the unemployment compensation insurance withholdings. The Charter School is planning to change to the "contributory method" starting January 1, 2018 and therefore a formal recommendation is not deemed necessary at this time.

Recommendation:

- 1) It is recommended that every effort be made to ensure that employee health benefits withholdings are properly calculated.

Management's Response:

- 1) The Charter School will ensure that employee health benefits withholdings are properly calculated.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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Financial Planning, Accounting and Reporting (Cont'd)

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Finding:

The Charter School did not submit the December 31, 2016 and June 30, 2017 Board Secretary Reports to the County Superintendent by the March 1st and August 1st respectively.

Recommendation:

It is recommended that the Business Administrator ensure that the Board Secretary Report is submitted to the County Superintendent in a timely manner.

Management Response:

Every effort will be made to ensure that the Board Secretary Report is submitted to the County Superintendent in a timely manner.

Treasurer's Records

In planning and performing our audit of the financial statements of the Charter School we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedure we have no comments except as noted herein.

No Child Left Behind (N.C.L.B.)

The N.C.L.B. financial exhibits are contained within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I of the No Child Left Behind Act.

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.

Our 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.

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FISCAL YEAR ENDED JUNE 30, 2017

Financial Planning, Accounting and Reporting (Cont'd)

Other Special Federal and/or State Projects (Cont'd)

Finding:

During our review of federal grants, it was noted that unused portions of federal grants from 2014 have not been returned to the grantor.

Recommendation:

It is recommended that the Charter School return unused portions of federal grants to the grantor.

Management Response:

Every effort will be made to ensure that the Charter School return unused portion of federal grants to the grantor.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district 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 T.P.A.F. Reimbursement to the State for the Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2017. The reimbursement form was reviewed, and no exceptions were noted, however, the form was not remitted to the State by the required October 1, 2017 deadline. As the form has since been remitted, no formal recommendation is deemed necessary.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in

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School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

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 Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law"

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$18,800.

The 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 Attorney'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. None were noted. 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.

Based on the results of our examination, we 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 *N.J.S.A.* 18A:18A-4.

School Food Service

The Charter School does not participate in the Child Nutrition Program or receive related federal or state awards. The Jersey City Board of Education maintained the financial transactions and statistical records for the Charter School's food service. The Jersey City Board of Education is responsible for the reporting requirements of the Charter School's food service program as an integral part of its Comprehensive Annual Financial Report (CAFR). However, we reviewed the application for eligibility requirements of the program and noted no exceptions.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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Student Body Activities

In planning and performing our audit of the financial statements of the Charter School, we considered the condition of the records 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. Based on these procedures, we have no comments.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 14, 2016 and the last day of school for on-roll, bilingual and low income students and a review of the Charter School's procedures related to its completion. The information on the enrollment reports agreed to the Charter School's workpapers without exception. The information included on the workpapers was verified on a test basis without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Facilities and Capital Assets

Our procedures included a review of the capital assets of the Charter School. No exceptions were noted.

Miscellaneous

Travel

Travel regulations require each Charter School to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the Charter School to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Trustees and head Director and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

Our review of the travel policies and records revealed that the Charter School is in general compliance with the travel regulations, except as noted below.

Finding:

It was noted that the Charter School does not charge all travel and professional development items to the 580-account line to ensure the total amount of travel for the year does not exceed the maximum amount approved in the minutes.

Recommendation:

It is recommended that all travel expense be segregated from all other activities and charged to the 580-account line to ensure that the total amount of travel for the year does not exceed the maximum amount approved in the minutes.

Management Response:

The Charter School will make every effort to ensure that travel is charged to the correct line item.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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Management Suggestions

Surety Bond Coverage

Surety bond coverage for the Business Administrator/Board Secretary is \$150,000. We suggest that the Charter School increase this coverage to \$200,000.

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board (“GASB”) statement which will have a significant impact on the District will be GASB#75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB#45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the New Jersey Division of Pensions.

Student Activities

It has recently been determined that certain school personnel may not be completely aware of the limitations and restrictions on the use of Student Activity Funds. We believe it is important that the Charter School be aware that any pupil organization which is part of the activity program of the Charter School, places at least indirect responsibility for supervision and control of that organization with the School Board. We suggest that the Board formally approve each school club or activity. As directed by the New Jersey Department of Education, collections related to fund raising for outside organizations should not be maintained in the Charter School’s Student Activity Funds.

Additionally, the Charter School should ensure that school-wide standard policies and procedures are implemented for all Student Activity Funds. These policies should indicate the student activities funds are to be utilized for the benefit of the student activity or club and not to be utilized for enhancement of instructional programs or school facilities. The Charter School should at least at a minimum communicate to school personnel on an annual basis the District’s policies and procedures regarding Student Activity Funds. We suggest that these policies include guidance regarding timely deposits of funds and the safeguarding of funds prior to deposit as well as the appropriate purchasing guidelines for student activities disbursements.

Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the review of purchase orders, student activity funds, capital assets accounting, and post travel reports were resolved in the current year. The recommendation regarding the calculation of employee health benefits withholdings was not resolved and is included as a recommendation in the current year.

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 14, 2016

Grades	Submission to DOE Reported on Roll	Reported on		Sample		Verified Signed		Verified # Days	
		Workpapers	Errors	Selected	Errors	Registration Forms	Enrolled	Errors	
Grade Six	45	45		8		8		8	
Grade Seven	58	58		8		8		8	
Grade Eight	70	70		8		8		8	
Grade Nine	124	124		8		8		8	
Grade Ten	75	75		8		8		8	
Grade Eleven	60	60		8		8		8	
Grade Twelve	82	82		8		8		8	
Totals	514	514	- 0 -	56		56		56	- 0 -
Percentage Error			0%						0%

Grades	Low Income	Sample		Verified Documentation		Sample Selected		Verified Documentation	
		Selected	Errors	Documentation	Errors	Selected	Documentation	Errors	
Grade Six	41	3		3					
Grade Seven	47	3		3					
Grade Eight	51	4		4		1		1	
Grade Nine	89	4		4		5		1	
Grade Ten	53	4		4		6		1	
Grade Eleven	37	4		4		2		1	
Grade Twelve	54	3		3					
Totals	372	25		25		14		3	- 0 -
Percentage Error									100.00%

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2017

Grades	Submission to DOE Reported on Roll	Reported on		Sample		Verified Signed Registration		Verified # Days Enrolled	
		Workpapers	Errors	Selected	Errors	Forms	Errors	Enrolled	Errors
Grade Six	45.0	45.0		8		8		8	
Grade Seven	58.0	58.0		8		8		8	
Grade Eight	70.0	70.0		8		8		8	
Grade Nine	124.0	124.0		8		8		8	
Grade Ten	75.0	75.0		8		8		8	
Grade Eleven	60.0	60.0		8		8		8	
Grade Twelve	82.0	82.0		8		8		8	
Totals	514	514	- 0 -	56	- 0 -	56	- 0 -	56	- 0 -
Percentage Error			0%		0%		0%		0%

Grades	Low Income	Sample		Verified		Sample		Verified	
		Selected	Errors	Documentation	Errors	Selected	Documentation	Errors	
Grade Six	41	3		3					
Grade Seven	47	3		3	1				
Grade Eight	51	4		4	5	1		1	
Grade Nine	89	4		4	6	1		1	
Grade Ten	53	4		4	2	1		1	
Grade Eleven	37	4		4					
Grade Twelve	54	3		3					
Totals	372	25	- 0 -	25	14	3	- 0 -	3	- 0 -
Percentage Error			0%				0%		0%

M.E.T.S. CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2017

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

A) The employee health benefits withholdings are properly calculated.

B) The Business Administrator ensure that the Board Secretary Report is submitted to the County Superintendent in a timely manner.

C) The Charter School return unused portions of federal grants to the grantor.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Enrollment Counts and Submission to the Department

None

7. Capital Assets

None

8. Miscellaneous

All travel expense be segregated from all other activities and charged to the 580-account line to ensure that the total amount of travel for the year does not exceed the maximum amount approved in the minutes.

9. Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the review of purchase orders, student activity funds, capital assets accounting, and post travel reports were resolved in the current year. The recommendation regarding the calculation of employee health benefits withholdings was not resolved and is included as a recommendation in the current year.