

M.E.T.S. CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

M.E.T.S. CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
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January 18, 2019

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

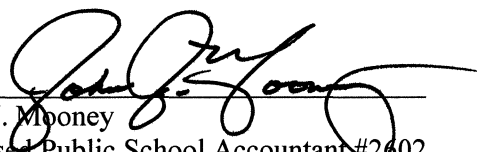
We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Trustees of M.E.T.S. Charter School for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 18, 2019.

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 January 18, 2019, 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

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

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>
Gail Long	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, we found no exceptions except as noted herein.

Finding:

During the course of the audit, we were unable to locate three purchase orders selected for testing.

Recommendation:

It is recommended that the Charter School maintain all accounting records on site in a secure location to guard against possible loss of records.

Management Response:

Every effort will be made to ensure that all accounting records are properly accounted for in the future.

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

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 Board Secretary/Business Administrator but were not certified by the President of the Board, the Board Secretary/Business Administrator, and the Lead Administrator.

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

Findings:

- 1) During our testing of employee health benefits withholdings, we found that these deductions were not properly calculated.
- 2) During our review of payroll register authorizations, it was noted that the registers are not approved by the Board President, Board Secretary and Lead Administrator on a regular basis.
- 3) The required certification (E-CERT 1) report of compliance with requirements for income tax on compensation of administrators was not filed with the NJ Department of Treasury by March 15th.

Recommendations:

- 1) It is recommended that employee health benefits withholdings are properly calculated.
- 2) It is recommended that the payroll registers are signed by the President of the Board, the Board Secretary/Business Administrator, and the Lead Administrator on a regular basis.
- 3) It is recommended that the required certification (E-CERT 1) report of compliance with requirements for income tax on compensation of administrators is filed annually by March 15th with the NJ Department of Treasury.

Management's Response:

The Charter School will ensure that employee health benefits withholdings are properly calculated, payroll registers are properly authorized on a regular basis and the E-CERT 1 is filed annually by the March 15th deadline.

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.

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

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.

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, 2017 and June 30, 2018 Board Secretary and Treasurer's reports to the County Superintendent within sixty days of year end and August 1st, respectively.

Recommendation:

It is recommended that the Business Administrator ensure that the Board Secretary and Treasurer's reports are submitted to the County Superintendent in a timely manner.

Management Response:

Every effort will be made to ensure that the December and June Board Secretary and Treasurer's Reports 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.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. 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 Titles I and II of the Elementary and Secondary Education Act as amended and reauthorized.

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

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.

Finding:

During our review of federal grants, it was noted that grant reimbursement requests were not submitted in a timely manner which resulted in significant receivables from the State and interfund advances from the General Fund and a reduction in the District's cash flow.

Recommendation:

It is recommended that grant reimbursement requests be submitted in a timely fashion in order to avoid significant amounts of receivables from the State and interfund advances from the General Fund and a reduction in the District's cash flow.

Management Response:

The Charter School will ensure that grant reimbursement requests are submitted in a more timely fashion.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly reimbursements filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund.

Finding:

During our review of T.P.A.F. reimbursements filed with the Department of Education, it was noted that reimbursements were not filed for March through June 2018 until November of 2018.

Recommendation:

It is recommended that the Charter School file T.P.A.F. reimbursement requests with the Department of Education in a timely manner to avoid a potential loss of revenue.

Management Response:

Every effort will be made to ensure that the Charter School files T.P.A.F. reimbursement requests with the Department of Education in a timely manner.

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (Cont'd)

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 not remitted to the State of New Jersey prior to the required deadline of October 1, 2018. The reimbursement form was reviewed, and no exceptions were noted, however, the form was not remitted to the State by the required October 1, 2018 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 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 \$19,000 for 2017-18.

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.

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

School Purchasing Programs (Cont'd)

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

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. An exception was 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 noted an exception within the 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.

Finding:

It was noted that the Charter School awarded a contract for transportation of students without a contract which is not in compliance with public school contract law.

Recommendation:

It is recommended that the Charter School adhere to public school contract law for transportation contracts.

Management Response:

The Charter School will make every effort to ensure that they adhere to public school contract law in the future.

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).

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 except as noted on the following page.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Student Body Activities (Cont'd)

Findings:

1. During our review of the Student Activity Account, it was noted that bank reconciliations were not completed in a timely manner throughout the year.
2. During our review of Student Activity Account deposits, it was noted that cash receipts are often held by club or athletic advisors and not turned over to the Business Office for deposit in a timely manner.

Recommendations:

1. It is recommended that Student Activity Accounts are completely reconciled with the Charter School's records on a monthly basis.
2. It is recommended that Student Activity Account cash receipts be deposited in a timely manner.

Management Response:

The Charter School will make every effort to ensure that Student Activity Accounts are completely reconciled on a monthly basis and cash receipts are deposited in a timely manner.

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 13, 2017 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 with several exceptions. The information included on the workpapers was verified on a test basis with several exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding:

During our review of student enrollment reports, it was noted that several low income applications could not be located.

Recommendation:

It is recommended that the Charter School maintain the original supporting documentation for low income students that were reported in the District's Application for Charter School Aid.

Management Response:

The Charter School will implement procedures to ensure that the original supporting documentation is maintained on file for all low income students reported in the District's Application for Charter School Aid.

Facilities and Capital Assets

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

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Travel Expense and Reimbursement Policy

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-object code 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-object code 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.

Testing for Lead of All Drinking Water in Educational Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Management Suggestions

System and Organization Controls

Many school districts contract with service providers to perform functions such as the processing of payroll and provision of food service management services. In conjunction with these services, the service provider will engage an auditor to perform a SOC 1 (System and Organization Controls) engagement which results in a SOC 1 report. There are two different types of SOC 1 reports - a Type 1 and a Type 2 report. Both report on the fairness of the presentation of management's description of the service organization's system and the design of the controls to achieve the related control objectives. The Type 1 report is through a specific period. The Type 2 report also reviews the operating effectiveness of the controls included in the description throughout a specified period. Included in the Type 2 report will be the individual controls, what was tested and the results of the testing.

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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FISCAL YEAR ENDED JUNE 30, 2018

Management Suggestions (Cont'd)

We suggest that the Charter School review these SOC 1 reports to determine if there are any exceptions noted in the opinion in the Independent Auditors' Report. Additionally, for SOC 1 Type 2 reports we suggest that the Charter School review the test results related to the individual control testing to determine if there were any exceptions noted. If exceptions are noted in the report the Charter School should contact the service provider and inquire what steps the service provider is taking to address these exceptions.

Status of Prior Year's Findings/Recommendations

The prior year recommendation regarding the return of unused portions of federal and state grants to the grantor was resolved in the current year. The recommendation regarding the calculation of employee health benefits withholdings, the submission of the Board Secretary's Report to the county Superintendent and the segregation of travel expenditures were not resolved and are included as recommendations in the current year.

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 13, 2017

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors
Grade Six	46	46		4	4		4	
Grade Seven	57	57		4	4		4	
Grade Eight	57	57		4	4		4	
Grade Nine	218	206		3	3		3	
Grade Ten	141	151		3	3		3	
Grade Eleven	141	143		3	3		3	
Grade Twelve	87	86	1	4	4		4	
Totals	747	746	1	25	25	- 0 -	25	- 0 -
Percentage Error			0.13%					

Grades	Low Income	Sample Selected	Verified Documentation	Errors	Bilingual	Sample Selected	Verified Documentation	Errors
Grade Six	37	3	2	1				
Grade Seven	49	3	1	2				
Grade Eight	49	3		3	1	1	1	1
Grade Nine	151	4	4		4	4	2	2
Grade Ten	97	4	2	2	5	5	2	3
Grade Eleven	105	4	3	1	2	2	2	
Grade Twelve	63	4	3	1	2	2	2	2
Totals	551	25	15	10	14	14	6	8
Percentage Error				40.00%				57.14%

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2018

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors
Grade Six	46	46		4	4		4	
Grade Seven	57	57		4	4		4	
Grade Eight	57	57		4	4		4	
Grade Nine	218	206		3	3		3	
Grade Ten	141	151		3	3		3	
Grade Eleven	141	143		3	3		3	
Grade Twelve	87	86	1	4	4		4	
Totals	747	746	1	25	25	- 0 -	25	- 0 -
Percentage Error			0.13%					

Grades	Low Income	Sample Selected	Verified Documentation	Errors	Bilingual	Sample Selected	Verified Documentation	Errors
Grade Six	37	3	2	1				
Grade Seven	49	3	1	2				
Grade Eight	49	3		3	1	1	1	1
Grade Nine	151	4	4		4	4	4	4
Grade Ten	97	4	2	2	5	5	5	5
Grade Eleven	105	4	3	1	2	2	2	2
Grade Twelve	63	4	3	1	2	2	2	2
Totals	551	25	15	10	14	14	- 0 -	14
Percentage Error				40.00%				100.00%

M.E.T.S. CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures

The Charter School maintain all accounting records on site in a secure location to guard against possible loss of records.

2. Financial Planning, Accounting and Reporting

A) The employee health benefits withholdings are properly calculated.

B) The payroll registers are signed by the President of the Board, the Board Secretary/Business Administrator, and the Lead Administrator on a regular basis.

C) The required certification (E-CERT 1) report of compliance with requirements for income tax on compensation of administrators is filed annually by March 15th with the NJ Department of Treasury.

D) The Business Administrator ensure that the Board Secretary and Treasurer's reports are submitted to the County Superintendent in a timely manner.

E) Grant reimbursement requests be submitted in a timely fashion in order to avoid significant amounts of receivables from the State and interfund advances from the General Fund and a reduction in the District's cash flow.

F) The Charter School file T.P.A.F. reimbursement requests with the Department of Education in a timely manner to avoid a potential loss of revenue.

3. School Purchasing Program

The Charter School adhere to public school contract law for transportation contracts

4. School Food Service

None

5. Student Body Activities

A) Student Activity Accounts are completely reconciled with the Charter School's records on a monthly basis.

B) Student Activity Account cash receipts be deposited in a timely manner.

6. Enrollment Counts and Submission to the Department

The Charter School maintain the original supporting documentation for low income students that were reported in the District's Application for Charter School Aid.

M.E.T.S. CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

7. Capital Assets

None

8. Miscellaneous

All travel expense be segregated from all other activities and charged to the 580-object code 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 recommendation regarding the return of unused portions of federal and state grants to the grantor was resolved in the current year. The recommendation regarding the calculation of employee health benefits withholdings, the submission of the Board Secretary's Report to the county Superintendent and the segregation of travel expenditures were not resolved and are included as recommendations in the current year.