

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

M.E.T.S. CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019
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November 15, 2019

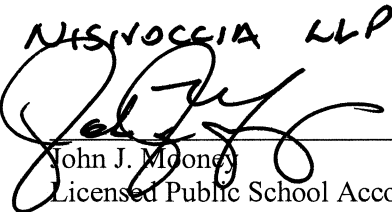
The Honorable President and Members
of the Board of Trustees
M.E.T.S. Charter School
Jersey City, NJ

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, 2019, and have issued our report thereon dated November 15, 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 November 15, 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
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FISCAL YEAR ENDED JUNE 30, 2019

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 below.

Finding:

During our examination of claims, it was noted that receipt of goods signatures were not obtained for all applicable purchase orders and not all purchase orders were dated prior to invoicing.

Recommendation:

It is recommended that the Charter School obtain all required authorizing signatures prior to payment and that purchase orders are created prior to ordering goods or services to ensure availability of funds.

Management Response:

Every effort will be made to ensure that all authorizing signatures are obtained prior to payment and purchase orders are created prior to ordering goods or services.

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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 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 review of payroll register authorizations, it was noted that not all registers are approved by the Board President, Board Secretary/Business Administrator and Lead Administrator on a regular basis.
- 2) After review of the payroll records for the Charter School, it was noted that an employee was not paid in accordance with the Board approved salary contract. However, as procedures have already been put in place to ensure employees are paid in accordance with the board approved salary contract, a formal recommendation is not judged to be warranted.

Recommendation:

- 1) 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.

Management's Response:

The Charter School will ensure that payroll registers are properly authorized on a regular basis.

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.

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 procedures we have no comments except as noted above under the Board Secretary's records.

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 Charter School's CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II and IV of the Elementary and Secondary Education Act as amended and reauthorized.

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 Charter School'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 Charter School's cash flow.

Management Response:

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

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

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly reimbursements filed with the Department of Education for Charter School 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, 2019. The reimbursement form was reviewed, and no exceptions were noted.

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 Charter Schools 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 2018-19.

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School Purchasing Programs (Cont'd)

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

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. An exception was noted as detailed in the findings below. 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 signed contract which is not in compliance with public school contract law. However, as of the date of this report, the Charter School is no longer contracting with the vendor and has since switched to an authorized vendor, no recommendation is deemed warranted.

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.

M.E.T.S. CHARTER SCHOOL
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019

Enrollment Counts and Submission to the Department

Our audit procedures included a test of information reported on the enrollment count reports for October 15, 2018 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:

1. During our review of student enrollment reports, it was noted that LEP testing scores could not be located.
2. It was noted that the Charter School hosted 106 unverified students and did not receive funding for them.

Recommendation:

1. It is recommended that the Charter School maintain the original supporting documentation for LEP students that were reported in the Charter School's Application for Charter School Aid.
2. It is recommended that the charter school verify all enrolled students before the start of the school year to avoid substantial loss of funding.

Management Response:

The Charter School will implement procedures to ensure that the original supporting documentation is maintained on file for all LEP students reported in the Charter School's Application for Charter School Aid and will obtain all the required documents needed to verify all enrolled students.

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, 2019

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 not in general compliance with the travel regulations as detailed below.

Finding:

During our review of travel expenditures, it was noted that the Charter School did not have the subsequent reports for non-regular business travel expenses, prior approval by the Lead Administrator was not obtained, board approval of the travel expenditure was not recorded in the minutes prior to the travel event and non-travel expenditures were charged to travel line budget items.

Recommendation:

It is recommended that subsequent reports are obtained for all non-regular business travel, prior approval by the Lead Administrator is received for all non-regular business travel, prior board approval is recorded in the minutes prior to the event and only travel expenditures are charged to travel line budget items.

Management Response:

The Charter School will make every effort to ensure that travel is properly approved and recorded, and post travel reports are maintained.

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School 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

New Jersey Earned Sick Leave Law

The New Jersey Earned Sick Leave Law was effective October 29, 2018. This law allows employees to accrue 1 hour of earned sick leave for every 30 hours worked, up to 40 hours each calendar year. We suggest that Charter Schools perform a review each year to determine if there are any employees not previously eligible to receive earned sick leave who are now entitled to under this law and that adequate records are maintained for the accrual of the earned sick leave.

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FISCAL YEAR ENDED JUNE 30, 2019

Management Suggestions (Cont'd)

Governmental Accounting Standards Board (GASB) Statements

The next GASB Statement which will have an impact on the Charter School's financial statements is GASB Statement No. 84, *Fiduciary Activities*, which is effective for the fiscal year ended June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement will likely have an impact on the financial statement presentation of the Payroll Agency Fund and may have an impact on the presentation of the Student Activities Agency Fund and Trust Funds.

Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the safeguarding of accounting records, the correct calculation of employee health benefit withholdings, the E-CERT-1 filing, timely T.P.A.F. reimbursement requests, adherence to public school contract law for transportation contracts, the preparation of Student Activity reconciliations, timely deposit of Student Activity cash receipts, maintaining of low income applications and the segregation of travel expenditures to travel appropriation lines were resolved in the current year. The recommendations regarding the payroll register signatures, timely submissions of Board Secretary and Treasurer's reports and grant reimbursement requests 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 15, 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	27.0	29.3	(2.3)	2	2		2	
Grade Seven	38.8	38.3	0.5	2	2		2	
Grade Eight	47.0	48.2	(1.2)	3	2	1	2	1
Grade Nine	175.6	174.7	0.9	5	5		5	
Grade Ten	171.6	168.1	3.5	5	5		5	
Grade Eleven	123.1	125.8	(2.7)	4	4		4	
Grade Twelve	116.0	116.7	(0.7)	4	4		4	
Totals	699.1	701.1	(2.0)	25	24	1	24	1
Percentage Error			-0.29%			4.00%		4.00%

Grades	Low Income	Sample Selected	Verified Documentation	Errors	Bilingual	Sample Selected	Verified Documentation	Errors
Grade Six	20.0	2	2					
Grade Seven	29.3	2	2					
Grade Eight	35.3	2	2					
Grade Nine	114.9	6	6					
Grade Ten	99.6	5	5		3.0	1	1	
Grade Eleven	73.8	4	4		4.1	1	1	
Grade Twelve	79.7	4	4		2.0	1	1	
Totals	452.6	25	25	-0-	9.1	3	3	-0-
Percentage Error				0.00%				0.00%

M.E.T.S. CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2019

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors
Grade Six	27.0	29.3	(2.3)	2	2		2	
Grade Seven	38.8	38.3	0.5	2	2		2	
Grade Eight	47.0	48.2	(1.2)	3	2	1	2	1
Grade Nine	175.6	174.7	0.9	5	5		5	
Grade Ten	171.6	168.1	3.5	5	5		5	
Grade Eleven	123.1	125.8	(2.7)	4	4		4	
Grade Twelve	116.0	116.7	(0.7)	4	4		4	
Totals	699.1	701.1	(2.0)	25	24	1	24	1
Percentage Error			-0.29%			4.00%		4.00%

Grades	Low Income	Sample Selected	Verified Documentation	Errors	Bilingual	Sample Selected	Verified Documentation	Errors
Grade Six	20.0	2	2					
Grade Seven	29.3	2	2					
Grade Eight	35.3	2	2					
Grade Nine	114.9	6	6					
Grade Ten	99.6	5	5		3.0	1	1	
Grade Eleven	73.8	4	4		4.1	1	1	
Grade Twelve	79.7	4	4		2.0	1	1	
Totals	452.6	25	25	-0-	9.1	3	3	-0-
Percentage Error				0.00%				0.00%

M.E.T.S. CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

- A) The Charter School obtain all required authorizing signatures prior to payment and that purchase orders are created prior to ordering goods or services to ensure availability of funds.
- 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) 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 Charter School's cash flow.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Enrollment Counts and Submission to the Department

- A) The Charter School maintain the original supporting documentation for LEP students that were reported in the Charter School's Application for Charter School Aid.
- B) The Charter School verify all enrolled students before the start of the school year to avoid substantial loss of funding.

7. Capital Assets

None

8. Miscellaneous

Subsequent reports are obtained for all non-regular business travel, prior approval by the Lead Administrator is received for all non-regular business travel, prior board approval is recorded in the minutes prior to the event and only travel expenditures are charged to travel line budget items.

M.E.T.S. CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019

It is recommended that:

8. Miscellaneous

Subsequent reports are obtained for all non-regular business travel, prior approval by the Lead Administrator is received for all non-regular business travel, prior board approval is recorded in the minutes prior to the event and only travel expenditures are charged to travel line budget items.

9. Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the safeguarding of accounting records, the correct calculation of employee health benefit withholdings, the E-CERT-1 filing, timely T.P.A.F. reimbursement requests, adherence to public school contract law for transportation contracts, the preparation of Student Activity reconciliations, timely deposit of Student Activity cash receipts, maintaining of low income applications and the segregation of travel expenditures to travel appropriation lines were resolved in the current year. The recommendations regarding the payroll register signatures, timely submissions of Board Secretary and Treasurer's reports and grant reimbursement requests were not resolved and are included as recommendations in the current year.