

Hoboken Charter School
Auditors' Management Report
For the Fiscal Year Ended June 30, 2015



**Auditors' Management Report on Administrative Findings
Financial, Compliance and Performance
for the Hoboken Charter School**

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Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Hoboken Charter School
County of Hudson, New Jersey

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Hoboken Charter School in the County of Hudson for the year ended June 30, 2015 and have issued our report thereon dated December 1, 2015.

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 report is intended for the information of the Board of Trustees of the Hoboken Charter School's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

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Licensed Public School Accountant
No. CS 00237100
McIntee Fusaro Del Corral, LLC
Fairfield, New Jersey

December 1, 2015

**Hoboken Charter School
Auditors' Management Report
For Fiscal Year Ended June 30, 2015**

Administrative Findings – Financial, Compliance and Performance

Scope of Audit

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

1. Administrative Practices and Procedures

Insurance

Various liability, property damage, and fire insurance coverage was carried in the amounts as detailed in the Insurance Schedule contained in the Charter School's Comprehensive Annual Financial Report (CAFR). See Exhibit J-20.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Morton Marks	Business Administrator/Board Secretary	\$ 150,000
Marie Hersch	Treasurer	\$ 150,000

Tuition Charges

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

2. 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.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board 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 designee in the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

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

There were no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative vs. instruction), and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015 for proper classification of orders as reserve for encumbrances and accounts payable. There were no open purchase orders at year end.

Classification of Expenditures (General and Administrative)

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. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no transaction errors were noted.

Treasurer's Records

The treasurer's records contained cash reconciliations for the general operating account. All of the treasurer's records were in agreement with the records of the business office.

Board Secretary's Records

The Board acknowledges that the Board secretary's monthly reports are documented in the minutes.

The school also maintains a monthly and year-to-date report of all line item transfers in a format prescribed by the Commissioner and approved by the County Superintendent.

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

The E.S.E.A./NCLB 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 Title I and Title II of the E.S.E.A. as amended and re-authorized.

Other Special Federal and/or State Projects

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year (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 and results pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the bi-weekly reimbursements (electronic, but Charter Schools can print out the DOENET screen for an auditor) filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Unemployment Contributions

The Charter School pays unemployment contributions on taxable wages on a quarterly basis.

3. School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law requiring bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300 for 2014-15.

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.

The results of our examination indicated that no individual payments, contracts, or agreements were 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 provisions of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

4. Charter School Enrollment System/Charter School Aid

Our audit procedures included a test of enrollment information reported on October 15, 2014 and the last day of school for on-roll, special education, bilingual and low-income students.

Finding:

Enrollment counts for October 2014 and last day of school are required to be verified to signed registration forms. 285 students were reported as being enrolled. Of the 285 students enrolled, two valid registration forms were not provided. We were able to use alternative procedures to verify the two student's enrollment. This is a repeat finding from the prior fiscal year.

Recommendation:

The Charter School should contact the Board of Education of the sending districts to obtain the signed registration forms and/or transfer cards.

Finding:

Enrollment - Days Reported:

There were seven errors with respect to seven students from four districts, in the number of days the students were actively enrolled in the school and the number of days submitted to the DOE. Seven students were enrolled in the school for less days than was reported to the DOE, resulting in an overstatement of 95 days. This is a repeat finding from the prior year.

Recommendation:

The Charter School must make a concerted effort to promptly include/remove transferred students from their records.

Finding:

Special Education Speech Services

At the October 15, 2014 count submitted to the Department of Education, the Charter School reported two students from two districts that were classified as requiring speech services. Neither student was receiving services. The Charter School reported one student classified as requiring special education services. This student was receiving only speech services.

At the June 30, 2015 count submitted to the Department of Education, all classifications and services were corrected. All students received the intended services. All funding for these services was adjusted as of June 30, 2015 on the FY15 Final Report2 Aid Notice.

Recommendation:

Although the Charter School corrected the issues as of June 30, 2015, they must implement procedures to ensure reporting of special education services only for students who are identified and receiving special education services, and must develop better procedures to resolve problems more timely.

Finding:

Special Education Services:

At the October 15, 2014 count submitted to the Department of Education, the Charter School reported that three students had received special education services for the year. These students were not identified as receiving special education services and did not receive these services.

At the June 30, 2015 count submitted to the Department of Education, all classifications and services were corrected. All students received the intended services. All funding for these services was adjusted as of June 30, 2015 on the FY15 Final Report2 Aid Notice.

Recommendation:

The Charter School must implement procedures to ensure reporting of special education services only for students who are identified and receiving special education services, and must develop better procedures to resolve problems more timely.

Finding:

Lunch Applications:

The Charter School reported that one student was receiving free lunch, but there was no application on file for the student.

Recommendation:

The Charter School must make every effort to have on file an application for each student that is receiving free or reduced lunch.

5. School Food Service

The Hoboken Charter School is responsible for distributing and processing applications for free or reduced meals to the members of the Hoboken Charter School community.

Once processed, the Hoboken Charter School Student database is updated to reflect the lunch status of all of its students. In addition, copies of all applications designated “free,” “reduced,” or “denied” are retained by the Charter School.

The Charter School is contracting directly with an outside food vendor, Karson Foods, and pays them directly for the cost of providing food for the students.

Follow-Up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings, except for two repeat findings.

Acknowledgement

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