



McIntee Fusaro Del Corral, LLC
Certified Public Accountants & Forensic Consultants

Hoboken Charter School

**Auditors' Management Report on Administrative Findings – Financial,
Compliance and Performance**

For the Fiscal Year Ended June 30, 2020

Hoboken Charter School
Auditors' Management Report on Administrative Findings -
Financial, Compliance and Performance
Fiscal Year Ended June 30, 2020

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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 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 the Hoboken Charter School in the County of Hudson for the year ended June 30, 2020 and have issued our report thereon dated November 17, 2020.

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.

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

November 17, 2020

Hoboken Charter School
Administrative Findings – Financial, Compliance and Performance
Fiscal Year Ended June 30, 2020

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, the activities of the Board of Trustees and the records of the various funds under the auspices of the Board of Trustees.

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>
Michael Falkowski	Board Secretary/School Business Administrator	\$ 156,000

There is a Public Faithful Performance Blanket Position Bond with The School Alliance Insurance Fund covering all other employees with multiple coverage of \$50,000.

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 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 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.

Payrolls were delivered to the Board Secretary with a warrant for the full amount of each payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

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 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 below herein.

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 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 CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, and Title 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 and results pertaining to the aforementioned special projects.

The study of compliance for the special projects revealed no areas of non-compliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the bi-weekly 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 amount of the expenditure charged to the current year's final report for all federal awards for the Charter School to reimburse the State for the TPAF/FICA payments made by the State on behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

3. 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 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 of 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.”

The bid threshold 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 \$19,000 for 2019/20.

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 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 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. School Food Service

In accordance with the Governor’s Declaration of Emergency to the COVID 19 Virus, all Public, Charter and Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management companies in accordance with 2 SFR 200.320 and N.J.S.A. 18A:18-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable of Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

The school food service was not selected as a major federal and/or state program and the state and federal program expenditures did not exceed \$100,000 in federal and/or state support. We inquired of school management, or appropriate school food service personnel, as to whether the SFA had and Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Non-program foods were not purchased, prepared or offered for sale. The Statement of Revenues, Expenditures and Changes in Net Position in the CAFR (Exhibit B-5) does not separate program and non-program revenue and program and non-program cost of goods sold.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

5. Student Body Activities

The Charter School does not have any student activity funds.

6. Charter School Enrollment System/Charter School Aid

Our audit procedures included a test of information reported on the enrollment count reports for October 15, 2019 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. 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.

8. Pupil Transportation

N/A

9. Facilities and Capital Assets

N/A

10. Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The Charter School submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Travel

Travel regulations require each Charter to adapt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the Charter 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 pre-approved by the Board of Trustees and Director and that a brief report detailing key issues addressed at the travel event must be submitted after the travel has occurred.

Our review of the travel policies and records revealed that the Charter School is in general compliance with the travel regulations.

Follow-Up on Prior Year Findings

N/A

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

**Hoboken Charter School
Application for Charter School Aid
Enrollment Count as of October 15, 2019**

SCHEDULE OF AUDITED ENROLLMENTS

Grades	Submission to DOE Reported on Roll	Sample														
		Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	22	22	0	11	11	0	11	0	0	0	0	0	0	1	1	0
One	22	22	0	11	11	0	11	0	1	1	0	1	0	0	0	0
Two	22	22	0	11	11	0	11	0	2	2	0	2	0	0	0	0
Three	22	22	0	11	11	0	11	0	1	1	0	1	0	1	1	0
Four	22	22	0	11	11	0	11	0	1	1	0	1	0	1	1	0
Five	22	22	0	11	11	0	11	0	1	1	0	1	0	0	0	0
Six	21	21	0	11	11	0	11	0	2	2	0	2	0	3	3	0
Seven	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	0
Eight	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	0
Nine	26	26	0	14	14	0	14	0	3	3	0	3	0	9	9	0
Ten	24	24	0	12	12	0	12	0	6	6	0	6	0	9	9	0
Eleven	26	26	0	13	13	0	13	0	1	1	0	1	0	7	7	0
Twelve	25	25	0	13	13	0	13	0	2	2	0	2	0	10	10	0
Total	298	298	0	151	151	0	151	0	20	20	0	20	0	41	41	0
Percentage Error			0.00%			0.00%		0.00%			0.00%		0.00%			0.00%

**Hoboken Charter School
Application for Charter School Aid
Enrollment Count as of Last Day of School Year 2020**

SCHEDULE OF AUDITED ENROLLMENTS

Grades	Submission to			Sample													
	DOE Reported on Roll	Reported on Workpapers	Errors	Sample Selected	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # Days Service Provided	Errors	Low Income	Verified Documentation	Errors	
Kindergarten	22	22	0	12	12	0	12	0	0	0	0	0	0	0	1	1	0
One	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	0	0
Two	22	22	0	12	12	0	12	0	1	1	0	1	0	0	0	0	0
Three	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	0	0
Four	22	22	0	12	12	0	12	0	2	2	0	2	0	1	1	0	0
Five	22	22	0	12	12	0	12	0	1	1	0	1	0	0	0	0	0
Six	22	22	0	11	11	0	11	0	1	1	0	1	0	1	1	0	0
Seven	22	22	0	11	11	0	11	0	1	1	0	1	0	1	1	0	0
Eight	22	22	0	11	11	0	11	0	1	1	0	1	0	1	1	0	0
Nine	27	27	0	15	15	0	15	0	1	1	0	1	0	3	3	0	0
Ten	23	23	0	12	12	0	12	0	2	2	0	2	0	10	10	0	0
Eleven	26	26	0	13	13	0	13	0	3	3	0	3	0	7	7	0	0
Twelve	24	24	0	12	12	0	12	0	1	1	0	1	0	10	10	0	0
Total	298	298	0	155	155	0	155	0	14	14	0	14	0	35	35	0	0
Percentage Error			0.00%			0.00%		0.00%			0.00%		0.00%			0.00%	

**Hoboken Charter School
Calculation of Excess Surplus
For the Fiscal Year Ended June 30, 2020**

EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1		<u>\$ 5,221,435</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund		\$ -	(B1a)
Transfer from Capital Reserve to Capital projects Fund		\$ -	(B1b)
Transfer from General Fund to SRF for PreK-Regular		\$ -	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion		\$ -	(B1d)
Decreased by:			
On-Behalf TPAF Pension and Social Security	\$ 879,699		(B2a)
Assets Acquired under Capital Leases	\$ -		(B2b)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1s)-(B-2s)]	<u>\$ 4,341,736</u>		(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 86,835		(B4)
Enter Greater of (B4) or \$250,000	<u>\$ 250,000</u>		(B5)
Increased by Allowable Adjustment*	\$ -		(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		<u>\$ 250,000</u>	(M)

SECTION 2

Total General Fund - Fund Balance @ 6/30/20 (Per CAFR Budgetary Comparison Schedule C-1)		<u>\$ 1,698,860</u>	(C)
Decreased by:			
Year-end Encumbrances		\$ -	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		\$ -	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **		\$ -	(C3)
Other Restricted Fund Balances ****		\$ -	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent year's Expenditures		\$ -	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2020 - August 1, 2020		\$ -	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		<u>\$ 1,698,860</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0-		<u>\$ 1,448,860</u>	
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Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		\$ -	(C3)
Reserved Excess Surplus ***[(E)]		\$ -	(E)
Total Excess Surplus [(C3)+(E)]		<u>\$ -</u>	(D)

Charter Schools are not subject to the excess surplus limitations. Charter school auditors only are required to document the calculation of excess surplus pursuant to N.J.S.A.18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4€, which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter school spends 'significantly less than budgeted and has accumulated a sizable surplus.'

Hoboken Charter School
Audit Recommendation Summary
For the Fiscal Year Ended June 30, 2020

Recommendations:

1. Administrative Practices and Procedures
None
2. Financial Planning Accounting and Reporting
None
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
None
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None
9. Miscellaneous
None
10. Status of Prior Year Audit Findings/Recommendations
None