City Council
City of Hoboken
94 Washington Street
Hoboken, NJ 07030

Theresa Castellano
Michael Russo

September 5, 2004

Lou Roberts – RMA
Randy Nelson – RMA
Ernst & Young
Metro Park
99 Wood Avenue South
Iselin, New Jersey 08830-0471

Dear Mr. Roberts & Mr. Nelson:

Over the past three years, various councilpersons have written letters to the Division of Local Government Services and forwarded copies of their correspondence to both of you regarding the City of Hoboken finances. All of the letters have been unanswered by the Division of Local Government Services and yourself as the independent auditors and as registered municipal auditors. These letters have addressed various issues including over-expending, deferred charges, under-budgeting, accounting errors and blatant disregard of the Public Contract Law as well as various New Jersey Laws. Since you as the independent auditors/registered municipal auditor have help prepared and/or actually prepared the annual financial statements, annual debt statement and most importantly the annual budget here are some questions that need clarification.

1) In the SFY 2002 audit, balance forward records for SFY 2001 have been changed to correct so-called deficiencies. Could you explain as the independent auditors/registered municipal auditors these deficiencies?
2) In the SFY 2002 audit, could an audit adjustment be made to cover the over-expended line items of $1,196,385 with the amount of the lapse budget of $1,770,920? There would have been a surplus of $547,535 in SFY 2001 budget year. Is it true that creating a deferred charge, despite the fact that all bills were paid in 2001, certain budget line items put a needless burden on the taxpayers and creates a surplus in the following year for the same amount.
3) In the SFY 2002 Budget, how could anticipated revenue items of 2.7 million and 3.2 million be included as anticipated revenue? The 2.7 million in revenue was received and posted on June 28, 2001 and the 3.2 million should have been booked as an account receivable from the sewerage authority on the annual financial statement for SFY 2002 because money was anticipated in SFY 2001 and received in SFY 2002.

4) In October of 2002, the City of Hoboken dissolved the Hoboken Parking Authority and formed the Hoboken Parking Utility. In SFY 2003, the City of Hoboken raided the Hoboken Parking Utility surplus in the tune of 8 million plus to balance the City of Hoboken SFY 2003 budget. In the SFY 2004 and SFY 2005 budget years, the Hoboken Parking Utility was raided for 5 million plus and 3.5 million plus to balance the City of Hoboken respective budget years.
5) At the council meeting on January 21, 2004, the Business Administrator told the Hoboken City Council that Health insurance bills for April, May and June of 2002 were charged to the SFY 2003 budget year. After review of the audit for SFY 2002, the over-expenditure for Health insurance is only $900,690. Should there not have been at least 2.2 million in health insurance over-expenditures?
6) At the council meeting on January 7, 2004, the Business Administrator was discussing with the Hoboken City Council spending of Recreational Facilities Trust Fund moneys without council approval for Improvement to Little League Field Dugout, new lighting and a purchase of an ice skating ring. This was done in violation of the local contract laws and various New Jersey laws.
7) Why is it that not all the deferred charges listed on sheet 3 of the SFY 2002 Annual Financial Statement match up with the items on sheet 18 from the SFY 2003 Annual Budget Document?
8) The SFY 2002 Adopted Budget has overstated revenue projection as well as understated expenses. For example, sheet 11 of the SFY 2003 shows a shortfall of over 2,048,291 million in revenue realized as opposed to revenue anticipated. Yet that amount is not accounted for on sheet 18 as deficit in operation where it is supposed to be itemized. Does the budgeted SFY 2002 anticipated revenue include 2.7 million in United Water and 3.2 million in North Hudson Sewerage? Do you need written consent from the Division of Local Government Services to include these revenue items?
9) At the council meeting on January 21, 2004, the Business Administrator told the Hoboken City Council that Health insurance bills for April, May and June of 2003 were charged to the SYF 2004 budget year. After review of the audit for SFY 2003, the over-expenditure for health insurance is only $40,816. Should there not have been at least 2.6 million in health insurance over-expenditures?
10) After reviewing, the audit for SFY 2003 the deferred charges reported on Page 6 of the Schedule of Financial Statement Finding does not agree with the SFY 2004 budget sheet 18. The amount reported is the audit is $4,228,960. The amount that was reported in the SFY 2004 Budget document $1,991,376. There is a difference of $2,237,584. That should be included as a deferred charge in the SFY 2005 budget.
11) According to the Finance Department report received on August 11, 2004, salary and wages are over-expended on the amount of $1,794,917.85 and other expenses of about 3 million plus. According to the SFY 2004 budget, the under-budgeted amount is $1,794,917.85 and 3 million plus in other expenses.

There are many other issues with the City of Hoboken and some are addressed in this letter. The SFY 2005 budget is projected at 80 million plus an increase over the previous year of about 15 million plus and the deferred charges are projected at 7 million plus. It appears that the City of Hoboken is in a financial mess, and is projected to go over it capital limit by at least 15 percent. As council members, you as the independent auditor and/or register municipal auditors could understand the concerns because we represent a population of Hoboken taxpayers.

With the projected SFY 2005 budget and the fear of municipal lay-offs and tax increase to the taxpayers of Hoboken, we are looking forward to a written response from your office.

Sincerely;

Theresa Castellano
1st Ward Councilperson

Michael Russo
3rd Ward Councilperson

cc: Richard England – Interim Business Administrator City of Hoboken
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