NEW JERSEY LEGISLATURE

OFFICE OF LEGISLATIVE SERVICES

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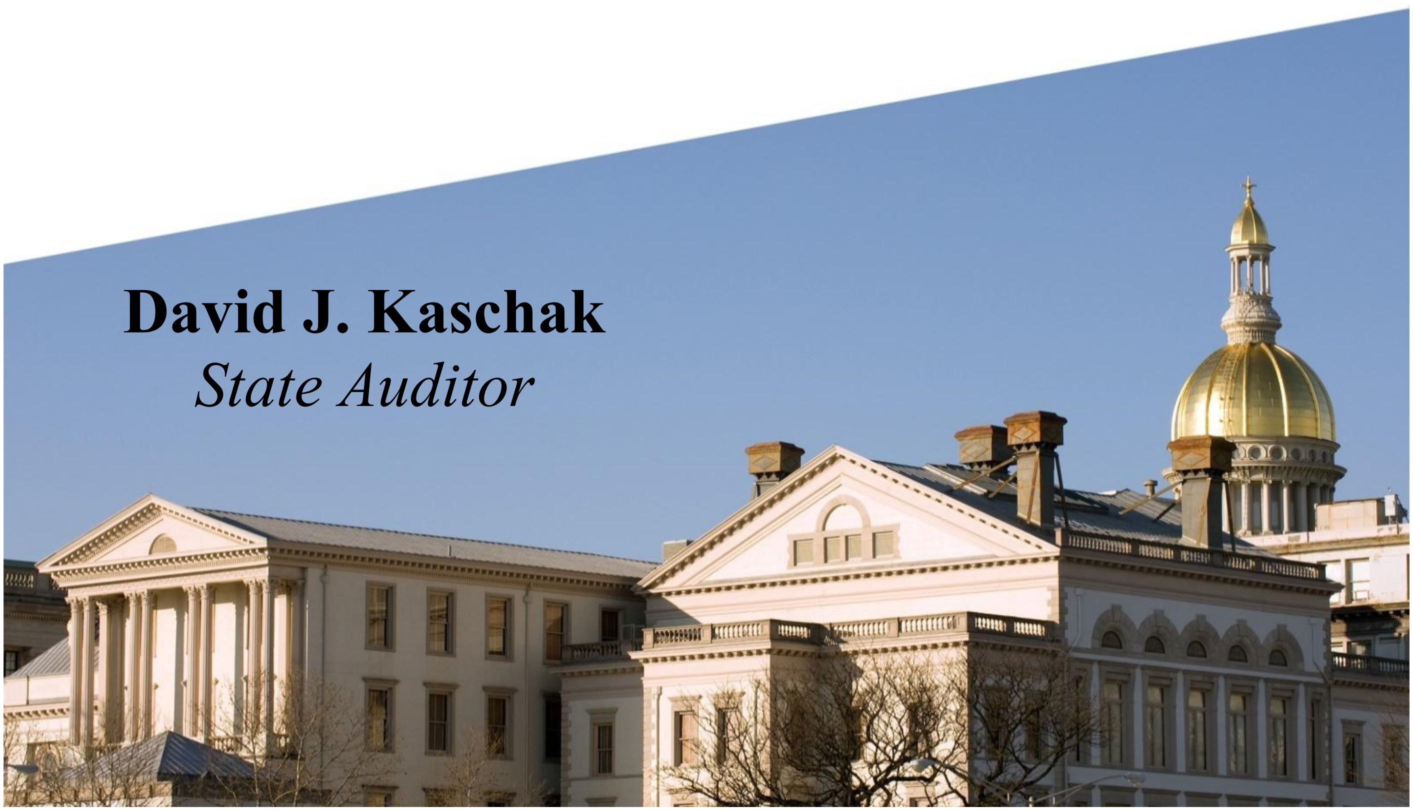
Compliance Review

January 1, 2024 to December 31, 2024



David J. Kaschak

State Auditor

NEW JERSEY LEGISLATURE

OFFICE OF LEGISLATIVE SERVICES

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The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahon
Executive Director
Office of Legislative Services

Pursuant to the State Auditor's responsibilities set forth in N.J.S.A. 52:24-4, we have completed a review of compliance with recommendations made in our audit reports issued during the period January 1, 2024 through December 31, 2024.

This review encompassed 11 audit reports containing 178 recommendations and one report with only observations issued during calendar year 2024. We also reviewed the status of 47 unresolved recommendations from the audit reports included in last year's compliance review for calendar year 2023 for which we had determined that the agencies had not achieved full compliance. This review did not include those reports completed on an annual basis, including the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* for the state's Annual Comprehensive Financial Report, Department of Community Affairs – Section 8 Housing Program Financial Data Schedules, and Schedules of Benefit Claim Payments and Expenses for the State of New Jersey. Additionally, we performed a review of our audit observations from our reports issued during the period January 1, 2024 through December 31, 2024. Our reports included 20 observations, which provide stakeholders with information on various topics without having specific recommendations. Observations, where the condition still existed at the time of our review, were included in the separate informational section of this report.

We found that 83.6 percent of the recommendations presented in our audit reports have been complied with or management has taken steps to achieve compliance during our review period. There are instances where insufficient time has elapsed to make a final assessment of the effectiveness of management's changes. Over a two-year period, the rate of compliance for recommendations from calendar year 2023 rose from 89.0 percent to 90.7 percent.

We have characterized issues as items of continuing concern because of noncompliance with our recommendations. All issues of noncompliance have been communicated to the auditees. Unresolved issues relating to our calendar year 2024 audit reports are presented on pages 4 to 28. Unresolved issues relating to our calendar year 2023 audit reports are presented on pages 32 to 39. The informational section of this report containing observations is presented on pages 41 to 57. Auditee responses to our follow-up review results, if received, begin on page 58.

The original audit reports containing full details on the unresolved issues can be found on our website: https://www.njleg.state.nj.us/audit-reports

If you would like a personal briefing, please call me at (609) 847-3470.

David J. Kaschak

David J. Kaschak
State Auditor
July 22, 2026

c Aaron Binder, State Treasurer
Tariq S. Shabazz, Acting Director, Office of Management and Budget

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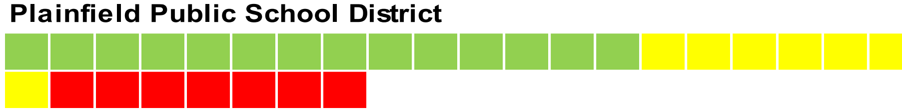
*Chose not to respond to noncompliant recommendations or the observations.

Calendar Year 2024
Audit Recommendations Compliance Dashboard

Report Date	Audit
3/7/2024	**Department of Human Services** Division of Developmental Disabilities, Green Brook Regional Center  **7 Recommendations**
5/6/2024	**Office of Information Technology** Electronic Cost Accounting and Timesheet System (eCATS)  **4 Recommendations**
5/8/2024 Page 4	**South Jersey Transportation Authority** Selected Programs  **15 Recommendations**
6/25/2024	**Department of Community Affairs** Division of Local Government Services  **9 Recommendations**
7/10/2024 Page 6	**Salem City School District**  **58 Recommendations**
7/16/2024	**Department of the Treasury** Division of Taxation, Remote Sales Tax  **4 Recommendations**
7/23/2024 Page 17	**Department of Health** Division of Certificate of Need and Licensing, Certificate of Need Program  **10 Recommendations**
7/31/2024 Page 20	**Plainfield Public School District**  **28 Recommendations**

Full Compliance   Partial Compliance   Noncompliance   N/A *

Calendar Year 2024
Audit Recommendations Compliance Dashboard (continued)

Report Date | **Audit**

8/6/2024

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Lakewood Public School District

22 Recommendations

8/29/2024

New Jersey Economic Development Authority

Film and Digital Media Tax Credit Program

4 Recommendations

10/23/2024

Department of Military and Veterans' Affairs

New Jersey Veterans Memorial Home at Menlo Park

17 Recommendations

Full Compliance | Partial Compliance | Noncompliance | N/A *

* There was a variety of circumstances why a recommendation was deemed not applicable (N/A). As an example, a program was discontinued; therefore, no specific testing could be performed. Additionally, all recommendations deemed N/A are not included in compliance percentage calculations.

Unresolved Issues from Calendar Year 2024 Audit Reports

South Jersey Transportation Authority (SJTA)

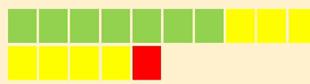
Number of Recommendations: **15**

Number of Recommendations Partially or Fully Implemented: **14**

Percent Partially or Fully Implemented: **93.3%**

Audit Recommendations by Status

In our report of the South Jersey Transportation Authority, dated May 8, 2024, we made a total of 15 recommendations.



Full Compliance

Partial Compliance

Noncompliance

Not Applicable

Source: Office of the State Auditor

Information Technology

Background

The New Jersey *Statewide Information Security Manual (SISM)* requires the development, implementation, testing, and maintenance of a disaster recovery plan to ensure continuity of operations for all information systems. Periodic testing measures effectiveness of the plan and identifies any modifications that may be required because of noted weaknesses.

Summary

During the audit, we noted the SJTA did not have a disaster recovery plan and did not perform periodic testing to ensure controls are in place. In the event of a disaster, there is no assurance the staff can maintain essential missions and business functions.

Report Recommendation

We recommend the SJTA develop and periodically test a disaster recovery plan and document the results.

Management Corrective Action Response

A full disaster recovery plan will be developed and tested on a regular basis.

South Jersey Transportation Authority (SJTA) (continued)

Follow-Up Review Results

Our follow-up review found the authority has not yet developed a disaster recovery plan. Because a plan has not been developed, testing and documenting the results cannot be completed.

Salem City School District

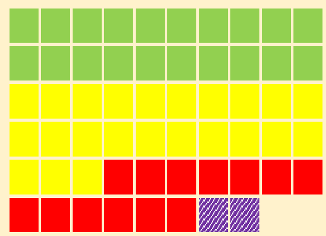
Number of Recommendations: **58**

Number of Recommendations Partially or Fully Implemented: **43**

Percent Partially or Fully Implemented: **76.8%**

Audit Recommendations by Status

In our report of the Salem City School District, dated July 10, 2024, we made a total of 58 recommendations.



Source: Office of the State Auditor

Procurement

Background

A confirming order is a purchase of goods or services before a purchase order has been authorized. The use of confirming orders is a violation of district policy and increases the risk that the budget could be overspent because of unrecorded liabilities.

Summary

During the audit, we noted 9 of the sampled 40 purchase orders (23 percent) were confirming orders.

Report Recommendation

We recommended the district limit the use of confirming orders to emergency purposes only.

Management Corrective Action Response

The district reminded all administrators that confirming purchase orders are not appropriate and that purchase requisitions should be submitted for all purchases.

Follow-Up Review Results

Our follow-up review noted three of the sampled eight purchase orders (38 percent) were confirming orders.

Salem City School District (continued)

International Baccalaureate Program

Background

The district's high school offers a two-year International Baccalaureate Diploma Programme (IB program) for students in grades 11 and 12. It is a rigorous academic program, similar to Advanced Placement (AP) courses, where students study six subjects over two years to better prepare them for success in college and beyond. Enrollment in the program has increased steadily since the program began, from 6 students in fiscal year 2013 to 53 students in fiscal year 2024. It is the responsibility of management to ensure an efficient and effective use of the district's resources.

Summary

During the audit, we found the district finances an all-expenses-paid international trip during the summer between 11th and 12th grade for IB students and employee chaperones from its General Fund. Destinations during our audit period included Scotland (twice), Costa Rica, Croatia, and Portugal at a cost of approximately $3,900 per student. The trips were not a requirement of the IB program, and the district acknowledged that Salem City is the only district that pays for it.

Report Recommendation

We recommended attendees pay for international trips, not the district.

Management Corrective Action Response

The district is reviewing its practices regarding the payment of the IB trip.

Follow-Up Review Results

Our follow-up review found that the district continued to finance the international trips from its General Fund.

Employee Reimbursements

Background

The district has policies and procedures to allow for employee reimbursements for travel, tuition, and other expenses. Employees receive payments through purchase orders, and the business office is responsible for ensuring compliance and accuracy.

Salem City School District (continued)

Summary

During the audit, we reviewed a sample of 20 employee reimbursements, noting 3 reimbursements totaling $4,326 were unreasonable and 5 reimbursements contained overpayments totaling $2,189.

Report Recommendation

We recommended the district recoup the overpayments and unreasonable reimbursements noted in the finding.

Management Corrective Action Response

The district did not recoup the noted amounts.

Follow-Up Review Results

Follow-up work was not performed because the district acknowledged it did not comply with the recommendation.

Application for State School Aid (ASSA)

Background

School districts must annually submit an ASSA to the New Jersey Department of Education (DOE). The ASSA includes a district's resident pupil enrollment count as of the last school day prior to October 16th of the current school year. It is critical for districts to submit accurate information because the DOE uses this information to calculate State Aid for the following school year. The School Business Administrator works with an employee in the technology unit to extract enrollment information from the district's student information system to complete the ASSA before submitting it to the DOE.

Summary

During the audit, we compared resident pupil counts according to the district's student information system to those submitted by the district for the October 2020, 2021, and 2022 ASSAs and noted variances of 48, 39, and 20 resident pupils, respectively. According to the DOE, because of this, the district received excess State Aid for fiscal years 2022, 2023, and 2024 totaling at least $1,033,328.

Salem City School District (continued)

Report Recommendation

We recommended the district follow the DOE's guidance when completing the ASSA.

Management Corrective Action Response

The district makes every effort to follow the DOE's guidance when completing the ASSA.

Follow-Up Review Results

Our follow-up review found the district made errors, similar to those identified during the audit, when preparing its October 2025 ASSA. The errors we identified resulted in an overcount of 17 students, which will impact the district's fiscal year 2027 State Aid if not corrected.

Sending District Tuition

Background

The district provides regular education services to high school students from four nearby sending districts. Tuition for these services is paid at an estimated rate for an estimated number of students. Following the district's annual financial audit, an actual tuition rate is certified by the DOE. The district then uses the certified tuition rate and actual average daily enrollment to calculate any tuition adjustment due to or from the sending districts.

Summary

During the audit, we reviewed sending district tuition for fiscal years 2020, 2021, and 2022 and noted calculation errors resulting in a net underbilling of regular tuition totaling $422,982.

Report Recommendation

We recommended the district properly calculate tuition adjustments.

Management Corrective Action Response

The district has been working with the sending districts to ensure that tuition adjustments are accurate.

Salem City School District (continued)

Follow-Up Review Results

Our follow-up review found the district did not properly calculate sending district tuition for fiscal year 2024. The district used an incorrect rate that resulted in underbilled tuition totaling $434,126.

Health and Dental Benefits

Background

According to the district's collective bargaining agreements, employees and eligible dependents may enroll in its health and dental benefits plans. The district is responsible for reviewing benefits invoices to ensure only eligible members are enrolled.

Summary

During the audit, we tested all 173 members enrolled in medical, prescription drug, and/or dental benefits as of April 2022 to determine whether only eligible people were enrolled and identified five individuals who were ineligible for benefits.

Report Recommendation

We recommended the district perform an adequate review of invoices for health and dental benefits to ensure only eligible members are enrolled in coverage.

Management Corrective Action Response

The district reviews its invoices monthly for any changes in eligible members listed. Additionally, it annually reviews those member lists to ensure that any changes are updated.

Follow-Up Review Results

Our follow-up review found that the district did not perform an adequate review of benefits invoices to ensure only eligible members were enrolled in coverage. We reviewed the January 2026 medical and prescription drug invoices and identified two individuals whose coverage should have been terminated in October 2024 and October 2025, respectively.

Salem City School District (continued)

Employee Leave

Background

According to N.J.S.A. 18A:30-9, vacation leave not used within the year it is accrued must be used in the following year. Under this statute, the maximum amount of vacation leave an employee may carry forward is one year's allotment of time.

Summary

During the audit, we reviewed leave balances for all 14 district administrators as of July 1, 2022 and identified 5 with a total of 92 vacation days in excess of the limit. Allowing employees to carry over days in excess of the limit increases the district's liability for uncompensated absences. Based on the employees' fiscal year 2023 salaries, the district's liability for the 92 excess vacation days we identified was $38,645.

Report Recommendation

We recommended the district comply with N.J.S.A. 18A:30-9 and limit the amount of vacation leave that can be carried forward at year end.

Management Corrective Action Response

The district ensures that each eligible employee carries forward only the allowable amount of unused leave at year end.

Follow-Up Review Results

Our follow-up review found that the district continued to allow administrators to carry forward vacation leave in excess of the statutory limit. Five administrators carried forward 43.5 excess vacation days in fiscal year 2026. The district's liability for these days was $21,077.

Athletic Fund

Background

The district maintains an Athletic Fund for the financial administration of its interscholastic athletic program. The fund is supported by gate receipts from athletic contests and subsidized by the district's General Fund when there is a shortfall in the account. According to district procedures, disbursements from the fund should only be used for ticket taker fees, police fees, and officials' fees.

Salem City School District (continued)

Summary

During the audit, we found 19 percent of purchases, totaling $47,453, from the fund were not allowable according to the district procedures. These purchases should have gone through the district's purchase order process. Additional exceptions were noted regarding improperly authorized disbursements checks, inadequate support documentation for purchases, and purchases unrelated to the district's athletic programs. Lastly, support documentation for the deposit of gate receipts was inadequate. Support generally consisted only of a deposit slip, with no record of the number of tickets sold or the amount of ticket revenue.

Report Recommendation

We recommended the district improve internal controls over the athletic fund to ensure compliance with district policy and procedures and keep records of ticket sales.

Management Corrective Action Response

The district has established practices to ensure that athletic fund expenditures are compliant with district policy and procedures. The district maintains records of ticket sales.

Follow-Up Review Results

Our follow-up review found the district continued to make purchases from the fund that were not in compliance with district procedures. Purchases from the fund for eight of the ten highest-paid vendors should have gone through the district's purchase order process. We also noted the district continued to not keep a record of the number of tickets sold. Because of this, there is no way to determine if the amount of cash deposited was correct, increasing the risk of loss or theft without detection.

Pupil Fund

Background

The district's high school maintains the Pupil Fund where monies are collected and dedicated for various student clubs, teams, and other activities. Funds are deposited into a dedicated bank account for the Pupil Fund, and transactions are entered and tracked using a bookkeeping system (system). According to the district's procedures for the Pupil Fund, a bank reconciliation must be prepared each month, and the balance must be reconciled with the individual activity balances.

Salem City School District (continued)

Summary

During the audit, we noted the district tracked individual student activity balances on a spreadsheet rather than within the system. Bank reconciliations were completed that compared the bank balance to the system balance; however, they did not agree with the balance on the spreadsheet. On average, the month-end balance according to the spreadsheet exceeded the system balance by $6,638.

Report Recommendation

We recommended the district track student activity balances within the system and ensure accounts are reconciled monthly.

Management Corrective Action Response

The district maintains the records monthly and reconciles the account at that time.

Follow-Up Review Results

Our follow-up review found the district continues to track individual activity balances on a spreadsheet, which is not reconciled to the bank or system balances. As of July 2025, the balance according to the spreadsheet was $14,455 greater than the balance in the system.

Use of School Facilities

Background

The district's Use of School Facilities policy allows non-profit groups to use the facilities and equipment of the district for worthy causes. Requests for the use of facilities must be received in writing and approved by the board of education. The policy allows the district to charge reasonable fees for the use of district facilities and personnel required by the requesting organization. The district has a fee schedule for facility usage.

Summary

During the audit, we tested facility usage requests to determine if the district charged reasonable fees for the use of its facilities. We noted four requests where fees totaling $73,250 were waived for $11,300 in scholarship donations. By accepting scholarship donations in lieu of fees, the district effectively subsidized scholarships with public resources. We also noted only one group we tested was charged facility usage fees.

Salem City School District (continued)

Report Recommendation

We recommended the district ensure it recovers costs when allowing outside groups to use its facilities.

Management Corrective Action Response

The district has been reviewing current board policies to determine what changes need to be made to ensure that outside groups pay appropriate amounts when allowed to use its facilities.

Follow-Up Review Results

Our follow-up review found that the district did not recover costs when allowing outside groups to use its facilities. We reviewed five facility usage requests and calculated fees totaling $3,380 using the district's fee schedule; however, none of the groups were charged fees. Two of the groups provided scholarship donations totaling $600.

Nonresident Student Admissions

Background

The district participates in the Interdistrict Public School Choice Program (choice program). As a choice district, it is permitted to enroll nonresident choice students in grades K to 12 and receive State Aid, including School Choice Aid. The choice program limits the number of choice students that a choice district can enroll, which was three students at the end of our audit period. N.J.S.A. 18A:38-3 previously allowed districts to admit nonresident students, with or without tuition, with the board's consent; however, this statute was amended in May 2023, and districts are no longer permitted to enroll nonresident students without tuition unless their parents are certificated staff members or members of the armed services on active duty.

Summary

During the audit, on average, the district had 14 nonresident students enrolled in fiscal years 2021 through 2023 who were ineligible for funding. The admission of nonresident students without funding puts a strain on the district's resources.

Report Recommendation

We recommended the district comply with N.J.S.A. 18A:38-3 and discontinue its practice of admitting unfunded, nonresident students.

Salem City School District (continued)

Management Corrective Action Response

The district has improved its practices and allows only nonresident students if related to current staff members.

Follow-Up Review Results

Our follow-up review found the district was only entitled to receive State Aid for one of the nine nonresident students it admitted from August 2024 through December 2025. The other students were either nonresidents in excess of the district's choice program maximum or were related to but did not have a parent who was a certificated staff member.

Information Technology (IT)

Background

It is the responsibility of management to establish policies and procedures for the district's IT systems that safeguard information and resources. The National Institute of Standards and Technology (NIST) publishes guidance establishing system controls that can be implemented within any organization that processes, stores, and transmits information. Additionally, the New Jersey Office of Homeland Security and Preparedness has published the *Statewide Information Security Manual (SISM)*, which provides detailed guidance the executive branch is required to follow. While school districts are not required to comply with the *SISM*, it provides a framework that can be used to develop and implement IT controls. The NIST and *SISM* recommend user access be disabled upon separation to prevent unauthorized access of applications.

Summary

During the audit, we found the district did not always terminate user access to its student information system (OnCourse) after separation from employment with the district. As of July 2023, 14 of 245 active user accounts (six percent) belonged to former district employees who had been separated for up to six months. The district did not have a formal policy or procedure for the termination of systems access upon separation from employment.

Report Recommendation

We recommended the district promptly terminate OnCourse access upon employee separation.

Salem City School District (continued)

Management Corrective Action Response

The district makes every effort to terminate OnCourse access upon employee separation. Appropriate staff are notified following an employee's separation to remove the affected employee.

Follow-Up Review Results

Our follow-up review found the district failed to disable OnCourse access for 7 of 53 employees (13 percent) who separated from employment during fiscal year 2026. The district does not have an effective process in place to ensure timely termination of OnCourse access after employee separation.

Department of Health
Division of Certificate of Need and Licensing
Certificate of Need Program

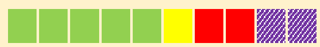
Number of Recommendations: **10**

Number of Recommendations Partially or Fully Implemented: **6**

Percent Partially or Fully Implemented: **75.0%**

Audit Recommendations by Status

In our report of the Certificate of Need Program, dated July 23, 2024, we made a total of 10 recommendations.



Full Compliance

Partial Compliance

Noncompliance

Not Applicable

Source: Office of the State Auditor

Timeliness of the Application Review Process

Background

According to N.J.A.C. 8:33-4.1, a full review of a Certificate of Need application must be completed within 210 days from the filing date, and an expedited review must be completed within 90 days. The filing date is recorded as the first business day of the following month after the division determines the application is ready for review.

Summary

During the audit, 11 of the 15 applications approved during July 1, 2021 through August 31, 2023 required an expedited review, and we noted nine were not reviewed by the division within the required 90 days. The exceptions ranged from 166 to 260 total business days to review, with an average timeframe of 213 business days.

Report Recommendation

We recommended the department perform annual reviews and document its efforts to identify applications that are noncompliant with the timeframe requirements and develop corrective action procedures to ensure compliance with the administrative code.

Department of Health
Division of Certificate of Need and Licensing
Certificate of Need Program (continued)

Management Corrective Action Response

The division created a timeliness standard operating procedure, added an expedited review certificate of need section to the agenda for the weekly division meetings, and plans to complete quarterly review of the expedited review application process.

Follow-Up Review Results

We tested all four applications that required an expedited review with filing and decision dates between January 1, 2025 to March 17, 2026 and found none were reviewed within 90 days as required by the administrative code. The review completion times ranged from 97 days to 245 days.

Revenue – Application Filing Fees

Background

The division is responsible for depositing checks received for Certificate of Need application filing fees and recording the checks on a deposit log. Employees complete a preliminary deposit slip and Cash Receipt Transaction (transmittal) document, which identifies the revenue account to which the check should be posted. The deposit log and transmittal are forwarded to the department's Division of Health Facility Survey and Field Operations fiscal unit (fiscal unit), which reviews the deposit log to ensure revenue is posted to the correct revenue account. If the preliminary transmittal is accurate, it will become the final transmittal; however, if errors are detected by the fiscal unit, corrections should be marked on the transmittal. Once the transmittal is finalized, the fiscal unit posts the transaction to the state accounting system and records the transaction in a revenue log.

Summary

During the audit, we found the department does not perform an end-of-year reconciliation of the database to determine if Electronic Funds Transfer (EFT) payments are being applied to the correct programs. We reviewed the 60 EFT payments totaling $1.4 million processed during July 2021 through October 2023 that were designated for Certificate of Need application filing fees. Of the 60 payments, we found 25 (42 percent) totaling $157,196 were not related to the program.

Department of Health
Division of Certificate of Need and Licensing
Certificate of Need Program (continued)

Report Recommendation

We recommended the division perform a reconciliation of the EFT database to ensure payments are posted correctly.

Management Corrective Action Response

The Division is evaluating the feasibility of a reconciliation.

Follow-Up Review Results

The division does not currently perform a reconciliation of the EFT database to ensure payments are posted correctly.

Plainfield Public School District

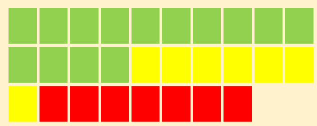
Number of Recommendations: **28**

Number of Recommendations Partially or Fully Implemented: **21**

Percent Partially or Fully Implemented: **75.0%**

Audit Recommendations by Status

In our report of the Plainfield Public School District, dated July 31, 2024, we made a total of 28 recommendations.



Full Compliance

Partial Compliance

Noncompliance

Not Applicable

Source: Office of the State Auditor

Health Benefits

Background

According to N.J.S.A. 10A:55-3a, as a condition of receiving State Aid, a school district is required to examine all available group options for every insurance policy held by the district, including any self-insurance plan administered by New Jersey School Boards Association Insurance Group on behalf of districts and should participate in the most cost-effective plans. The district used the services of a broker when choosing health benefits plans and was provided with a market analysis listing plan options and potential savings, including participation in the School Employees' Health Benefits Program (SEHBP). The broker's compensation is based on the cost of premiums.

Summary

During the audit, the broker's analysis for fiscal year 2023 estimated a 26 percent savings for medical and 22 percent savings for prescription costs if the district participated in the SEHBP. The district did not participate in the SEHBP. Using average enrollment for fiscal year 2023, we estimated the district could have saved approximately $6.4 million if it had participated in the SEHBP.

Report Recommendation

We recommended the district analyze and select the most cost-effective options in accordance with the statute when choosing its health benefit plans.

Plainfield Public School District (continued)

Management Corrective Action Response

The district's board concluded that significant rate increases in 2025 would result in temporary savings that would not be sustainable long term; therefore, the district chose not to participate in the SEHBP.

Follow-Up Review Results

Our follow-up review found the broker's analysis for fiscal year 2026 concluded that participation in the SEHBP remained the most cost-effective option. We updated the broker's analysis using actual SEHBP premium costs for six months of 2026, rather than the estimated premiums used by the broker and found that the SEHBP could provide an estimated $3.2 million in cost savings.

Health Benefits Eligibility

Background

The district's health plans' premium costs are offset by employee contributions. The plan administrators should be notified of any changes in coverage due to hiring, terminations, or changes in coverage status. Employees who are on leave without pay are permitted to pay back their share of health benefits costs when they return to work, with contributions collected retroactively from their paycheck. Additionally, employees on leave without pay are eligible to receive health benefits coverage for 12 weeks. After this period, the employees may continue coverage at their own expense.

Summary

During the audit, the district did not have written policies and procedures in place for the reconciliation of monthly bills and collection of premium contributions. The district receives monthly itemized bills but reviews them ineffectively. We found the district overpaid health premiums by $55,271 and did not collect required contributions totaling $190,058 from employees on approved leaves of absence.

Report Recommendation

We recommended the district implement written procedures for the timely removal of ineligible individuals from the district's benefit plans. The procedures should require monthly review of billings for enrollment eligibility. We also recommended the district improve its monitoring of individuals on leave without pay to ensure timely billing and prompt collection of required contributions.

Plainfield Public School District (continued)

Management Corrective Action Response

The district has restructured the organization and reassigned the function of employee health benefits management and enrollment to the Office of Human Resources for better alignment. The district's Office of Human Resources has developed standard operating procedures for the monthly reconciliation of health benefit payments and verification of enrollment eligibility.

Follow-Up Review Results

Our follow-up review found one employee separated from district employment on January 1, 2025 and remained enrolled in the health benefits plan through at least July 2025. We also noted three employees had not paid required contributions during their leave period.

Preschool Program – Recoupment of Funds

Background

N.J.A.C. 6A:13A-10.1 requires the district board of education to verify the accuracy and efficiency of annual budget planning workbooks submitted by each contracting private provider and ensure that the budget of each provider aligns with the actual program costs. The code also requires the district board of education to monitor the expenditures of each provider to recoup any unexpended or misspent funds based on the providers' quarterly expenditure reports and enrollment records.

Summary

During our audit, the district increased the 2021-2022 school year original budgets for three of nine providers by a total of $884,968, without board approval. The provider that received $523,315 of these funds did not hire any additional teachers, its daily average enrollment remained at or below originally contracted students for all but one month, and the provider did not spend any of the supplemental funding.

Report Recommendation

We recommended the district recoup funds from the provider that did not absorb additional students beyond originally contracted and did not spend any of the additional funding.

Management Corrective Action Response

The district follows all procedures established by the NJDOE for the compensation of Preschool Education Services.

Plainfield Public School District (continued)

Follow-Up Review Results

Our follow-up review found no evidence the district recouped funds from the provider that did not absorb additional students beyond originally contracted and did not spend any of the additional funding received for the 2021-2022 school year.

Payroll and Personnel – Unused Leave Payouts

Background

The district's collective bargaining agreements establish that vacation leave must be used the year it is granted and can be carried over only under certain circumstances with the superintendent's approval (a maximum of five vacation days can be carried over by administrators).

Summary

The district does not have written policies and procedures defining accrual and payment of sick and vacation days and relies on employee bargaining agreements that do not always address the terms of unused leave payouts. The district pays some employees separated mid-year for the full year of leave and prorates earned leave for others. During the audit, we noted the unused vacation and sick day payouts were not calculated correctly in 22 instances resulting in $49,069 in overpayments and $12,513 in underpayments.

Report Recommendation

We recommended the district exercise additional scrutiny when calculating unused leave payments to employees.

Management Corrective Action Response

Unused sick days leave payouts are administered as per N.J.S.A. 18A:30-3.5. Earned vacation days are paid in accordance with the Collective Bargaining Agreements for the Plainfield Education Association and The Plainfield Association of School Administrators. Final payouts figures are approved by the Chief of Human Resources and Chief of Business Operations/Assistant Business Administrator and paid no sooner than 30 days after the last day of employment.

Plainfield Public School District (continued)

Follow-Up Review Results

Our follow-up review found the district has not exercised additional scrutiny when calculating unused leave payments. We reviewed sick leave payouts for eight employees and vacation leave payouts for five employees and found one employee received a vacation leave payout that exceeded the amount owed.

Information Technology

Background

N.J.A.C. 6A:23A-6.7(c) requires access controls to be established for key elements of financial systems to ensure a single person does not have the ability to make system edits that would violate segregation of duties controls.

Summary

During our audit, four users, including the Superintendent, Business Administrator, IT Project Manager, and Director of Student Enrollment/Data Systems Supervisor, had system administrator privileges that allowed them full access to the district's budgetary, accounting, payroll, and personnel modules collectively referred to as School-Fi. System administrators can add users, assign roles, and delete users from the system. The system administrator should be independent of any transaction process.

Report Recommendation

We recommended the district reassign duties of the system administrator to individuals independent of any transaction process.

Management Corrective Action Response

The district did not formally respond to this recommendation.

Follow-Up Review Results

Our follow-up review found the district has not updated or re-assigned system administrator privileges to individuals independent of any transaction process. The four users identified as exceptions during our audit continue to have system administrator privileges.

Plainfield Public School District (continued)

School Facilities

Background

The district has a policy and a regulation for the use of district facilities. The Use of School Facilities policy 1330 requires all requests for waivers of fees for the use of school facilities to be presented to the board of education for review and approval. Additionally, according to the Use of School Facilities regulation 1330R, individuals or organizations wishing to use district facilities are categorized into five different classes or groups. Free use of school facilities may be granted only to certain school, municipal, and county organizations who benefit students of the district if the facilities are used within regular custodial service hours and their use will not create additional supervisory or custodial requirements.

Summary

During the audit, we found there was a mismatch between user classification in the district's scheduling software and the user definitions provided in regulation 1330R.

Report Recommendation

We recommended the district review the user classification definitions in regulation 1330R and ensure it matches the definitions in its scheduling software.

Management Corrective Action Response

The district did not formally respond to this recommendation.

Follow-Up Review Results

Our follow-up review found user classification definitions continued to not match in the regulation and scheduling software.

Lakewood Public School District

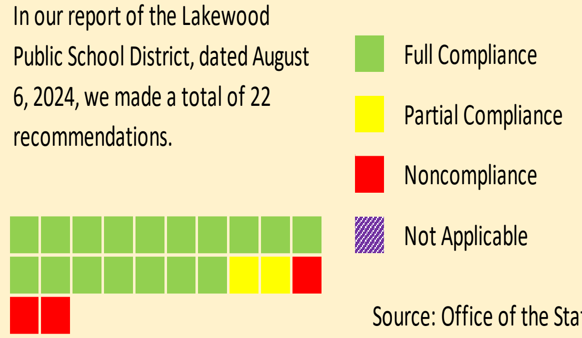
Number of Recommendations: **22**

Number of Recommendations Partially or Fully Implemented: **19**

Percent Partially or Fully Implemented: **86.4%**

Audit Recommendations by Status

In our report of the Lakewood Public School District, dated August 6, 2024, we made a total of 22 recommendations.



Source: Office of the State Auditor

Multiyear & Tuition Contracts

Multiyear Contracts

Background

Pursuant to N.J.S.A. 18A:18A-42, contracts for goods or services may not exceed 24 consecutive months. Any price increase during an extension must be based on the original contract price (including prior adjustments) and cannot exceed the change in the applicable index rate for the 12 months before the most recent quarterly calculation at the time of renewal.

Summary

During the audit, we identified four multiyear contracts with contractual periods from September 1, 2020 through June 30, 2023 where two vendors requested and were paid $1.1 million in annual price increases prior to the renewal period because management overrode internal controls.

Report Recommendation

We recommended the district seek to recoup the $1.1 million in improper payments.

Management Corrective Action Response

The district did not respond specifically to this recommendation.

Lakewood Public School District (continued)

Follow-Up Review Results

Based on follow-up conversations with district personnel, we found the district does not intend to seek recoupment for the improper payments. After the completion of our on-site compliance review, the Lakewood Board of Education initiated actions at its April 2026 meeting to seek reimbursement or recoupment of improperly paid amounts.

Nonpublic School Transportation

Background

Pursuant to N.J.A.C. 6A:27-2 and nonpublic transportation procedures issued by the DOE, eligible students shall receive transportation based upon the date the district receives a Nonpublic School Transportation Application (B6T) for each student. It is the district's obligation to date stamp all B6T forms upon receipt, and any received late should be accompanied by a statement explaining the reason for lateness. Furthermore, parents, nonpublic school administrators, and the district shall adhere to the deadline and submit B6T forms to the district by March 15.

Summary

During our audit, we noted the district was not receiving all B6T forms by the March 15 deadline and was not requiring statements explaining the reason for lateness for any B6T forms received late. Failure to receive B6Ts timely could result in the district paying for ineligible students to be transported.

Report Recommendation

We recommended the district collaborate with nonpublic school administrators to ensure all B6Ts are sent directly to the district by March 15. In addition, the district should require a statement of reason for those that are late.

Management Corrective Action Response

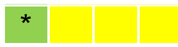
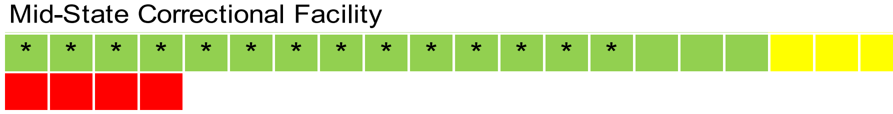
The district contracts with the Lakewood Student Transportation Authority (LSTA) to coordinate the receipt of B6T's with approximately 165 eligible nonpublic schools, or approximately 40,000 B6T's. The nonpublic schools upload these forms directly to the LSTA's web-based system. The district did not respond specifically to the recommendation to require a statement of reason for lateness.

Lakewood Public School District (continued)

Follow-Up Review Results

Our follow-up review found the district does not collaborate with nonpublic school administrators and continues to rely on the LSTA to receive B6T forms from nonpublic school administrators. Additionally, the district continues to receive B6T forms past the March 15 deadline and does not require a statement of reason for those received late.

Calendar Year 2023
Audit Recommendations Compliance Dashboard

Report Date	Audit
1/18/2023	**Department of Environmental Protection** Hazardous Discharge Funds  **4 Recommendations**
4/11/2023 Page 32	**Department of Transportation** Office of Freight Planning  **8 Recommendations**
4/12/2023	**Department of Health** Selected Programs Accounted for in the Division of Epidemiology, Environmental and Occupational Health  **9 Recommendations**
4/19/2023	**Department of Human Services** Division of Medical Assistance and Health Services, New Jersey Medicaid/New Jersey FamilyCare, Durable Medical Equipment and Medical Supplies  **16 Recommendations**
5/17/2023 Page 34	**Department of Corrections** Mid-State Correctional Facility  **24 Recommendations**
6/14/2023 Page 38	**Trenton Board of Education**  **15 Recommendations**
7/18/2023	**Department of Transportation** Division of Multimodal Services, Superload Unit  **4 Recommendations**

Full Compliance   Partial Compliance   Noncompliance   N/A **

Calendar Year 2023
Audit Recommendations Compliance Dashboard (continued)

Report Date	Audit
9/27/2023	**Department of Labor and Workforce Development** Division of Unemployment Insurance  **5 Recommendations**
12/6/2023	**Department of the Treasury** Office of Management and Budget, Centralized Payroll System  **11 Recommendations**

Full Compliance Partial Compliance Noncompliance N/A **

* These recommendations were deemed full compliance during our calendar year 2023 compliance review; no specific compliance testing was completed for these recommendations during our current review. Prior-year recommendations deemed full compliance are included to show the compliance status over the two-year period and are included in the two-year compliance rate calculations.

** There were a variety of circumstances why a recommendation was deemed not applicable (N/A). As an example, a program was discontinued; therefore, no specific testing could be performed. Additionally, all recommendations deemed N/A are not included in compliance percentage calculations.

Unresolved Issues from Calendar Year 2023 Audit Reports

Department of Transportation
Office of Freight Planning

Number of Recommendations: **8**

Number of Recommendations Partially or Fully Implemented: **6**

Percent Partially or Fully Implemented: **75.0%**

Audit Recommendations by Status

In our report of the Office of Freight Planning, dated April 11, 2023, we made a total of 8 recommendations.

Full Compliance

Partial Compliance

Noncompliance

Not Applicable

Source: Office of the State Auditor

Lease Revenue

Background

The department entered into a licensing agreement with an independent contractor in 2017 allowing for the current use of a segment of the Staten Island Railroad Line known as the Bayway Refinery Tract. However, the department has not entered into a formal lease agreement with the independent contractor, as permitted under N.J.S.A. 27:7-21.4, which has resulted in an undetermined amount of unrealized revenue to the state. According to the department's Right of Way Acquisition Manual, it is the responsibility of the Division of Right of Way and Access Management to negotiate lease agreements and present them to the State House Commission.

Summary

During our audit, we noted the department did not have an appraisal of the identified segment of railroad line. An appraisal is needed before a lease agreement can be executed and approved by the State House Commission. This resulted in an undetermined amount of unrealized revenue to the state.

Report Recommendation

We recommended the department submit a lease agreement to the State House Commission in order for lease payments to be defined. Once defined, any lease payments owed should be pursued for collection.

Department of Transportation
Office of Freight Planning (continued)

Management Corrective Action Response

The department and independent contractor obtained appraisals and are currently negotiating a lease. Once the negotiations are finalized, the department will submit the lease to the State House Commission for approval. Once the lease is approved, lease payments owed will be collected.

Follow-Up Review Results

Our follow-up review found appraisals have been obtained by the department and the independent contractor. Because of ongoing negotiations, a lease agreement has not yet been finalized; therefore, the lease has not yet been submitted to the State House Commission for approval, and no lease payments have been collected by the department.

Department of Corrections
Mid-State Correctional Facility

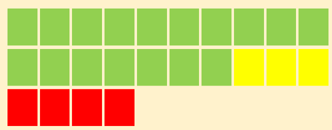
Number of Recommendations: **24**

Number of Recommendations Partially or Fully Implemented: **20**

Percent Partially or Fully Implemented: **83.3%**

Audit Recommendations by Status

In our report of Mid-State Correctional Facility, dated May 17, 2023, we made a total of 24 recommendations.



Full Compliance

Partial Compliance

Noncompliance

Not Applicable

Source: Office of the State Auditor

Substance Use Disorder (SUD) Assessments and Program Placement

Background

Pursuant to the contract, SUD assessments should be completed by the vendor within five business days of referral by the department.

Summary

During the audit, we found SUD assessments were not completed timely.

Report Recommendation

We recommended the department ensure SUD assessments are completed within five business days of referral in accordance with the contract.

Management Corrective Action Response

SUD assessments cannot be completed within five business days of referral because of the current transfer process.

Follow-Up Review Results

Our follow-up review found SUD assessments were not completed within five business days of referral.

Department of Corrections

Mid-State Correctional Facility (continued)

Sick Leave

Background

The department's Human Resources Bulletin 84-17 requires an employee to submit appropriate medical documentation for all absences in excess of 15 days of sick leave in a calendar year.

Summary

During the audit, we requested medical documentation to support employee sick absences in excess of 15 days; however, Human Resources did not provide this documentation for any of the 15 employees tested.

Report Recommendation

We recommended the department's Office of Human Resources ensure medical documentation is obtained as required by department policy.

Management Corrective Action Response

Timekeepers will be reminded of the proper usage of the fifteen-day memo for employees not covered by an approved Family and Medical Leave Act (FMLA) and reinforce the requirement that medical documentation must be provided for usage in excess of fifteen days. The department's internal audit unit will conduct periodic audits to ensure compliance.

Follow-Up Review Results

Our follow-up review found the department did not provide us with requested medical documentation for all four employees we tested. The fifteen-day memo was provided for three of the four employees tested.

Expenditures – Delegated Purchasing Authority (DPA) and Other Expenditure Transactions

Background

Treasury Circular No. 22-09-DPP (currently 26-02-DPP) defines a DPA transaction as one that cannot be procured through one of the four primary contracting methods and establishes procedures for obtaining price quotes based on specific transaction dollar amounts.

Department of Corrections
Mid-State Correctional Facility (continued)

Summary

During the audit, documentation of a competitive procurement process in accordance with the DPA procedures was not always evident.

Report Recommendation

We recommended the facility ensure price quotes are obtained and documented for DPA purchases.

Management Corrective Action Response

Facility staff have been provided with training in the DPA process. The department plans to centralize the purchasing process and utilize an electronic workflow to provide more oversight to ensure DPA procedures are followed.

Follow-Up Review Results

Our follow-up review found one of the five sampled DPA transactions did not have the required number of quotes. Additionally, the payment for one of the sampled DPA transactions was higher than the corresponding price quote.

Expenditures – HealthCare Provider Logbook

Background

The facility maintains a healthcare provider logbook for the vendor's employees to sign in and sign out of the facility. The logbook should document all vendor employees entering and departing the facility and is necessary for safety and security purposes.

Summary

During the audit, we compared vendor timesheets to the logbook and found sign-ins and sign-outs were missing or inaccurate for 30 percent of the sampled period.

Report Recommendation

We recommended the department enforce its sign-in policy.

Department of Corrections
Mid-State Correctional Facility (continued)

Management Corrective Action Response

Custody staff continues to ensure that sign-in requirements are adhered to for both civilians participating in programming implementation and the contracted vendor.

Follow-Up Review Results

Our follow-up review found that, based on an internal review by the department's central office, vendor employees were not consistently signing out.

Trenton Board of Education

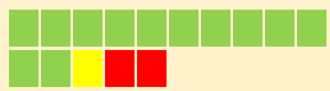
Number of Recommendations: **15**

Number of Recommendations Partially or Fully Implemented: **13**

Percent Partially or Fully Implemented: **86.7%**

Audit Recommendations by Status

In our report of Trenton Board of Education, dated June 14, 2023, we made a total of 15 recommendations.



Full Compliance

Partial Compliance

Noncompliance

Not Applicable

Source: Office of the State Auditor

Student Attendance Records

Background

Regular attendance is essential for students to receive a proper education. The lack of accurate attendance records prevents the district from identifying and addressing truancy and/or chronic absenteeism, as required. Accurate daily attendance is also critically important for student safety and during emergency situations. District procedures require attendance to be entered and submitted into the student information system by 10 a.m. daily, and submissions are to be verified by the schools' principals.

Summary

During the audit, we found absenteeism rates may be higher than the system reflects because of the inaccurate recording of student attendance and lack of supervisory oversight.

Report Recommendation

We recommended the district enforce the existing requirements for teachers to submit attendance and principals to verify submissions.

Management Corrective Action Response

The district expectation is for teachers to take daily student attendance. Principals were directed to monitor attendance submissions and are regularly reminded of these administrative responsibilities. Detailed instructions were provided to teachers and principals on how to record and verify attendance.

Trenton Board of Education (continued)

Follow-Up Review Results

Our follow-up review found continued instances of student attendance not being submitted and verified. We tested October 2025 for two elementary schools and found that student attendance was not submitted 12 percent of the time. We expanded our test to all ten elementary schools for an eight-school day period in January 2026, and found, on average, student attendance was not submitted four percent of the time. Three of these schools did not submit attendance, on average, ten percent of the time. This confirms that principals did not verify attendance submissions.

Informational Section
Audit Observations from Calendar Year 2024 Audit Reports

Observations

Our compliance review also included a status update of audit observations from our reports that were issued during the period January 1, 2024 through December 31, 2024. Our reports included 20 observations, which are designed to provide stakeholders with information on various topics without having specific recommendations. Because observations do not have specific recommendations, a compliance assessment is not given. Observations, where the condition still existed at the time of our review and are included in this report for informational purposes.

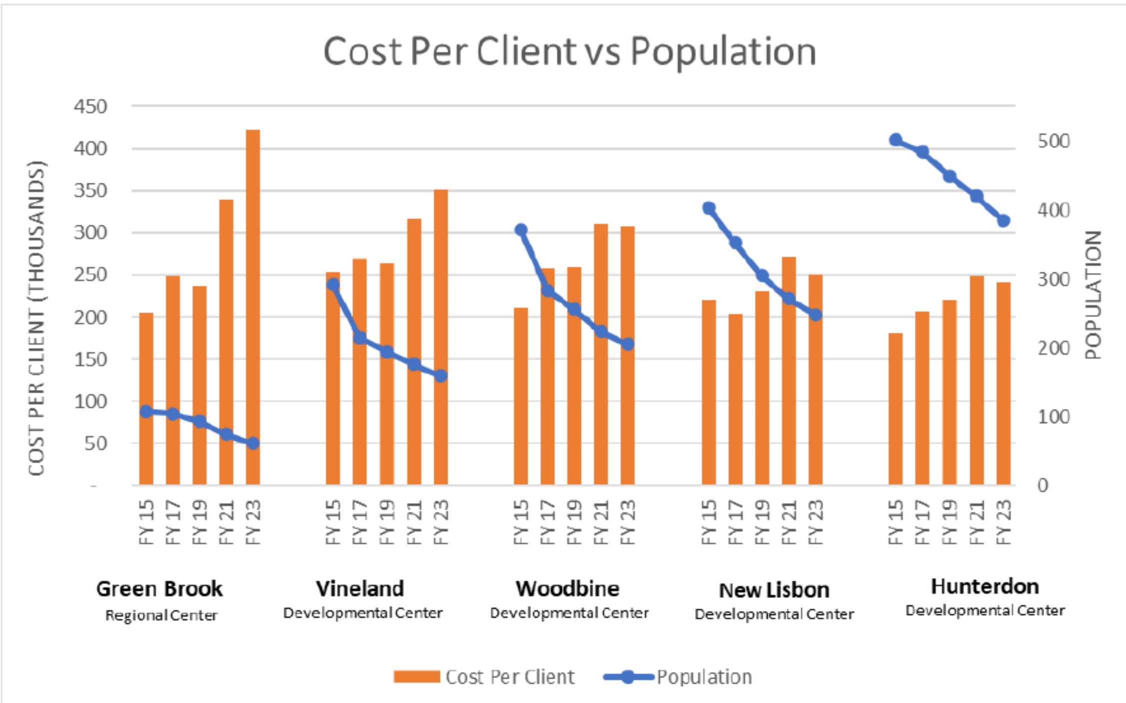
Department of Human Services
Division of Developmental Disabilities
Green Brook Regional Center

Observation

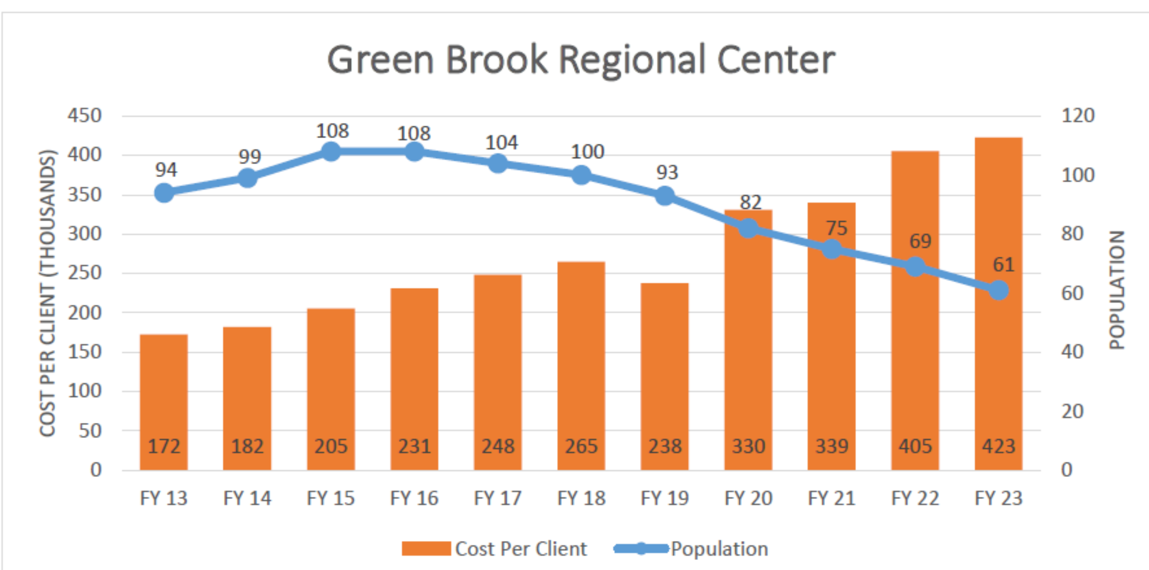
On June 22, 1999, the United States Supreme Court issued a landmark decision for individuals with developmental disabilities, recognizing community living as a civil rights issue. In Olmstead v. L.C., 527 U.S. 581 (1999), the court determined that the unjustified institutionalization of people with disabilities violates the Americans with Disabilities Act of 1990. Division of Developmental Disabilities operations have been focused on enhancing services in community settings while reducing the use of developmental centers. As a result, the number of individuals in developmental centers has been reduced from 7,317 in 1980 to 1,058 in fiscal year 2023 while the number of developmental centers has been reduced from eleven to five. The cost per client has generally increased in each developmental center. Further consolidation efforts, such as moving the Green Brook Regional Center (GBRC) clients to the Hunterdon Developmental Center (HDC), could result in a more efficient use of the centers.

The following charts illustrate rising costs per client and declining populations at the state developmental centers.

Department of Human Services
Division of Developmental Disabilities
Green Brook Regional Center (continued)



Note: Various tranches of federal COVID-19 funding impacted department budgets and expenditures during fiscal years 2020, 2021, and 2022. As a result, some amount of fiscal years 2020, 2021, and 2022 costs are directly related to unanticipated expenditures in response to the pandemic. These increased costs should not be expected to continue indefinitely.



Department of Human Services
Division of Developmental Disabilities
Green Brook Regional Center (continued)

The GBRC, located in Green Brook, Somerset County, is a specialized geriatric center that serves residents over age 55. Residents of the center range from moderately to profoundly developmentally disabled, and most are non-ambulatory. The GBRC opened in 1981 in a three-story building that previously housed Raritan Valley Hospital. It is the smallest of the five remaining developmental centers, with 100 Medicaid certified beds. The GBRC population has declined from 94 clients in fiscal year 2013 to 61 clients as of June 2023. During the same period, the center's average cost per client increased 145 percent from $172,000 to $423,000, the highest among the five developmental centers.

The HDC is the largest of all developmental centers. It is located in Hunterdon County, 26 miles west of the GBRC. It opened in 1969 and provides a broad spectrum of behavioral, medical, and habilitation services to individuals with intellectual and developmental disabilities. As of the end of our audit period, HDC had 465 Medicaid certified beds, a client population of 385, and 80 bed vacancies. Unlike the GBRC, the HDC houses clients in multiple, one-level living units that do not require the use of elevators. According to management, operational elevators are essential at the GBRC and are being renovated at an estimated cost of $1.7 million Additional capital improvements anticipated by the GBRC include the replacement of the main chiller and a secondary chiller at an estimated cost of $1.8 million. The chillers have failed to operate consistently for years, and the GBRC has paid $852,000 in rental and repair costs since fiscal year 2018. In addition to capital improvements and maintenance cost savings, moving the GBRC clients to the HDC could potentially alleviate some of the GBRC $699,000 average annual direct care overtime costs. When reviewing weekend overtime for eight pay periods from September 11, 2022 to December 31, 2022, we noted that 69 percent of overtime was prescheduled. The GBRC is the only developmental center required to provide direct care staff with every other weekend off.

Status Update

The department disagreed with our original observation and continues to operate both GBRC and HDC. The client population at GBRC and HDC has continued to decline since our audit and based on the fiscal year 2027 state budget message is projected to decline to 44 clients and 293 clients, respectively. Based on these estimated populations, there would be 103 fewer clients residing in these facilities since fiscal year 2023.

Office of Information Technology (OIT)
Electronic Cost Accounting and Timesheet System (eCATS)

Observation

Original Observation

The New Jersey Administrative Code requires the state to pay employees exiting state employment for accrued, unused vacation leave. The eCATS tracks leave time for employees who use it for time tracking, and the outstanding balances in the eCATS at separation are used to calculate the accrued vacation time payout.

Currently, non-temporary users of the eCATS are not required to submit a timesheet each pay period to receive their payroll payment. In fact, there is no requirement for these employees to complete a timesheet in any pay period in which they do not use leave time. As a result, the eCATS is not programmed to require timesheets to be completed and approved before employees are paid. It should be noted that this is not a deficiency in the eCATS design – there is no administrative requirement for non-temporary employees to complete timesheets, and the eCATS properly reflects that. When an employee does complete a timesheet (for example, to use leave time), the eCATS requires the employee to fill out all outstanding timesheets and have them approved before the new timesheet can be completed.

In the eCATS, incomplete timesheets are designated as suspense until finalized. Suspense timesheets serve solely for allocating salary payments to specific programs without approved timesheets. Upon approval of the actual timesheet, salary costs are redistributed to the specified job numbers, sub-job numbers, activity codes, and sub-activity codes. The outstanding timesheets could be for pay periods that include entries for leave time not yet recorded in the eCATS. If an employee separates from state service without finalizing all timesheets, any leave time that was taken in those pay periods remains unaccounted for. This would cause the eCATS leave time balance used to calculate the payout to be overstated, resulting in an overpayment to the employee.

We identified 415 active eCATS users with at least one outstanding timesheet in suspense, 46 of which had two or more timesheets outstanding. The maximum number of timesheets outstanding for an employee was 46, with four individuals falling into that category. For the individuals with more than one timesheet outstanding, the average number of outstanding timesheets was nine. We matched those users with a list of lump-sum vacation payments made between July 1, 2021 and December 31, 2023 and found 18 users who received a lump-sum vacation leave payout after separating from service while having incomplete timesheets at the time of separation. One user had multiple outstanding timesheets. We determined that those employees were paid their lump-sum leave payment based on their outstanding leave balances in the eCATS as of their separation from service.

Office of Information Technology (OIT)
Electronic Cost Accounting and Timesheet System (eCATS) (continued)

If the outstanding timesheets had been completed and leave time had been used during those pay periods, the resulting lump-sum vacation leave payout for the employee may have been lower than what was actually paid to them. However, without the completed timesheet there is no way to determine if there was any overpayment. This issue could be exacerbated if any of the previously identified active users with outstanding timesheets separated from service without completing them.

Status Update

The OIT stated compensating controls are in place to avoid incorrect payouts because of uncompleted timesheets; however, we were unable to verify these controls. Because changing the policy to require timesheets to be completed prior to separation would be something that would fall under the Civil Service Commission's responsibility, it is apparent why no action has been taken by OIT.

Department of Community Affairs
Division of Local Government Services

Transitional Aid

Original Observation

Transitional Aid (TA) is discretionary aid available for municipalities with severe structural budget deficits that anticipate difficulties making payments toward nondiscretionary or critical obligations. According to the division's local finance notices and the state's appropriation handbook, TA is designed to provide short-term financial assistance to help a municipality in serious fiscal distress meet immediate budgetary needs and regain financial stability. It is not intended to provide long-term budgetary supplementation.

TA awards are categorized by the receiving municipalities' reporting year as either calendar year or state fiscal year. During municipal reporting years 2016 to 2022, TA awards were made to 14 municipalities, of which 7 received TA awards during the entire seven-year period. The seven municipalities are shown in the chart below:

Municipality	2016	2017	2018	2019	2020	2021	2022
Atlantic City	$ 24,145,298	$ 13,000,000	$ 3,900,000	$ 3,315,000	$ 2,817,750	$ 2,395,088	$ 2,035,824
Penns Grove*	$ 358,000	$ 356,000	$ 450,000	$ 550,000	$ 475,000	$ 550,000	$ 550,000
Salem	$ 1,130,000	$ 1,130,000	$ 1,400,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,658,000
Seaside Heights	$ 750,000	$ 1,400,000	$ 1,190,000	$ 1,011,500	$ 1,011,500	$ 859,775	$ 730,809
Camden*	$ 12,000,000	$ 17,000,000	$ 18,200,000	$ 22,300,000	$ 22,300,000	$ 19,250,500	$ 18,955,000
Paterson*	$ 25,000,000	$ 25,250,000	$ 27,000,000	$ 33,000,000	$ 24,650,000	$ 21,057,116	$ 17,810,000
Union City*	$ 17,800,000	$ 8,700,000	$ 10,000,000	$ 20,000,000	$ 19,500,000	$ 22,500,000	$ 22,500,000

*Four municipalities have been receiving TA continuously since 2011.

Our analysis of the TA awards to the seven municipalities above as well as Nutley and Trenton found 27 of the 45 awards were either the same or increased from the previous year. Only 14 of the 45 awards were reduced by 15 percent or more from the previous year. The intent of the TA is for short-term gap financing to assist municipalities through temporary fiscal crises; however, some municipalities have been receiving aid for long periods of time, which may be perceived as long-term budgetary supplementation. During our audit period, we also found no TA applications had been rejected; because of this, we analyzed historical TA applications and found none had been rejected since 2013. Additionally, we noted nine municipalities (13 applications) received $5.5 million more than the amount requested.

Department of Community Affairs
Division of Local Government Services (continued)

Status Update

According to division management, municipalities that receive transitional aid will continue to be awarded funding because of ongoing structural financial challenges. We analyzed the seven municipalities from the audit that received continuous aid between 2016 and 2022 and noted aid has continued for all these municipalities through 2025. Subsequent to the audit, transitional aid levels remained the same for one municipality, increased for four municipalities, and decreased for two municipalities.

Certification Unit

Original Observation

N.J.A.C. 5:32 requires the division to review and process applications for initial and renewal certifications, administer certification exams, and review and approve continuing education courses for professional certifications. The division administers programs for six professional certifications:

- Certified County Finance Officer (CCFO)
- Certified Municipal Finance Officer (CMFO)
- Certified Public Works Manager (CPWM)
- Certified Tax Collector (CTC)
- Qualified Purchasing Agent (QPA)
- Registered Municipal Clerk (RMC)

Currently, the unit reviews continuing education courses for at least 22 course sponsors at no cost; two of these sponsors are state universities. The sponsors charge between $100 and $1300 for the initial courses and between $50 and $250 for continuing education courses. During calendar year 2022, the division reviewed and approved 950 courses. Based on our survey and analysis, the division's Certification Unit employs two full-time and two part-time employees to provide these services. Considerable staff time is spent reviewing and approving courses, and fees are not charged for these services.

Status Update

Increasing certification fees was not a concern of the previous administration. The division will only pursue this path if the new administration raises a concern that the certification fees are too low.

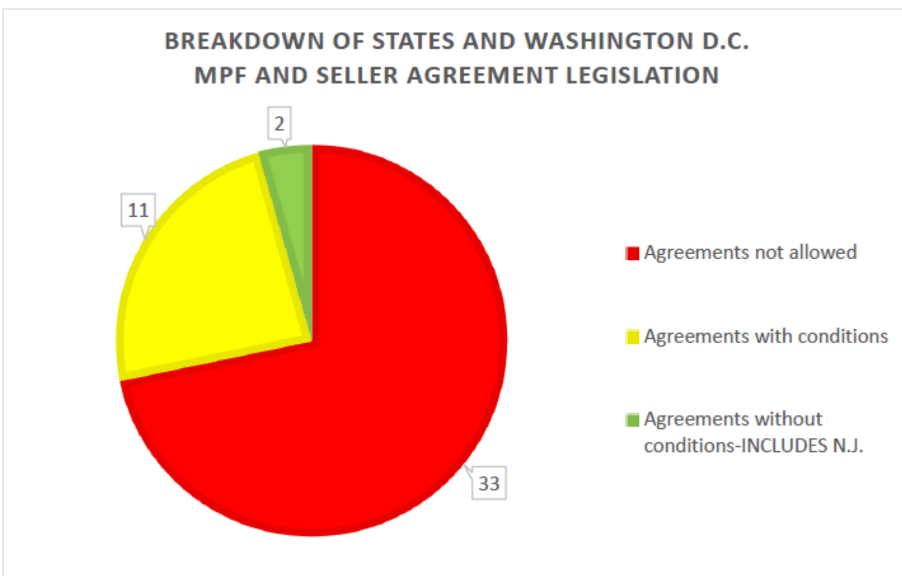
Department of the Treasury
Division of Taxation
Remote Sales Tax

Marketplace Facilitator (MPF) and Marketplace Seller Agreements

Original Observation

MPFs facilitate retail sales of tangible personal property, specified digital products, or taxable services and typically manage sales tax collection and remittance on behalf of the marketplace sellers (sellers) who sell on their platforms. Centralizing the sales tax responsibility makes it simpler for states to ensure sales tax is properly remitted and reduces the cost of ensuring compliance compared to managing many small taxpayers.

P.L.2018, c. 132, effective November 1, 2018, requires MPFs to collect and remit sales tax to the division for the facilitated sales. However, it also allows MPFs and sellers to enter into agreements with each other regarding the collection and remittance of sales tax. New Jersey is one of two states that does not require MPFs or sellers to meet any conditions prior to entering into an agreement. The chart below shows the breakdown of MPF and seller agreement legislation for the 45 states and Washington, D.C. that have sales tax laws.



Department of the Treasury
Division of Taxation
Remote Sales Tax (continued)

In January 2020, the National Conference of State Legislatures Executive Committee Taskforce on State and Local Taxation unanimously approved a model legislation proposal for MPF sales tax collection. The proposal outlines conditions under which MPFs and sellers can enter into an agreement regarding the collection and remittance of sales tax. The conditions include but are not limited to: annual United States gross sales over $1 billion; the seller registering with the state's taxing authority; and the seller notifying the state taxing authority of the agreement. We noted that five states follow these criteria. Additionally, we noted six other states also require the MPFs and sellers to meet certain conditions prior to the allowance of agreements.

Impact on State Revenue and Auditing Concerns

The division is unaware which businesses should be remitting sales tax, possibly causing an underreporting of sales tax revenue to the state. During our review, we noted one MPF published the MPF and seller agreement policy on its website. This MPF collects the sales tax and forwards it to the seller, and the seller bears the responsibility to remit the sales tax to the state. The division cannot make inquiries in these situations because it is not made aware of these agreements, which leads to the possibility of the seller not forwarding the sales tax to the division.

Additionally, this creates a logistical hardship for the division's auditors by necessitating visits to numerous locations, investing more time and resources, and prolonging the duration of the audit engagement. Not requiring disclosure of agreements also places a burden on auditors because they will not discover the existence of any agreements until the start of an audit, making audit planning and budgeting difficult. Our discussions with division auditors disclosed that MPFs have not been cooperative with providing a listing of agreements when requested.

Status Update

The division stated it would recommend adding language to the law when an opportunity arises; however, it has not yet pursued any changes.

Plainfield Public School District

Non-Instructional Expenditures Efficiency

Original Observation

N.J.A.C. 6A:23A-9.3 establishes efficiency standards for the review of administrative and noninstructional expenditures and efficient business practices. In determining whether a school district has implemented all potential administrative efficiencies and/or eliminated all excessive non-instructional costs, the executive county superintendent shall consider the efficiency standards and Taxpayers' Guide to Education Spending indicators. According to the code, overtime pay for any given function should not exceed 10 percent of regular wages for that function.

During fiscal years 2022 through 2023, the district overtime payments totaled $4.6 million. The overtime for custodial services, security, maintenance for school facilities, student transportation services, and administrative information and technology exceeded 10 percent of regular wages for each function.

Had the district achieved the efficiency standards, $2 million in overtime savings could have been achieved, as summarized in the following table:

FY 2022 - FY 2023				
Work Function	**Regular Wages**	**Total Overtime**	**Overtime - 10% of Wages**	**Savings if 10% Efficiency Achieved**
Custodial Services and Building Rentals	$ 11,307,566	$ 2,224,790	$ 1,130,757	$ 1,094,033
Security	4,032,363	801,255	403,236	398,019
Maintenance for School Facilities	1,463,305	363,325	146,330	216,994
Student Transportation Services	3,492,186	493,602	349,219	144,384
Administrative Information Technology	2,686,118	367,725	268,612	99,114
Total	**$ 22,981,538**	**$ 4,250,698**	**$ 2,298,154**	**$ 1,952,544**

We reviewed the custodial staffing efficiencies because they earned the most overtime. According to N.J.A.C. 6A:23A-9.3, the efficiency standard for the use of custodians and janitors is a ratio of one employee for every 17,500 square feet of building space calculated on a districtwide basis. Pursuant to the Common Education Data Standards (CEDS), one custodian, properly supplied and equipped, should be able to clean 19,000 to 25,000 square feet of space in eight hours, depending on the condition and use of the facility, to ensure the health and comfort of building users. The CEDS specify one custodian can clean approximately 11,000 to 18,000 square feet in an eight-hour period if performing more intensive cleaning.

Plainfield Public School District (continued)

Based on the efficiency ratio established in the administrative code, the district needs 76 custodians for their 1,316,059 square feet of building space. Between July 2021 and December 2022, the district employed an average of 94 custodians covering an average of 14,442 square feet each. Average annual earnings for custodians in fiscal year 2023 were $66,671.

The district submits a midyear efficiency report to the County Superintendent, which includes the district's statement on overtime and custodial staffing efficiency. Our review of the December 2021 and December 2022 midyear reports noted the district claimed overtime efficiencies of 10 percent or less for any given function had been achieved and custodial staffing efficiency was achieved.

Status Update

District custodial overtime continues to exceed the efficiency limit of 10 percent of regular wages established by the administrative code. During the 2024-2025 school year, custodial overtime payments totaled $1.5 million or 22 percent of regular wages.

Adjustments to Monthly Budget Payments

Original Observation

According to the Department of Education's (DOE) approved standard Preschool Education Program contract for school year 2022-2023 used by the districts, in the event the average monthly enrollment for the month (from October through June) is less than fourteen-fifteenths (14/15 or 93.33 percent) of the number of contract slots, the amount due the following month under the contract should equal the monthly amount multiplied by the average monthly enrollment for the month, divided by the number of contract slots. However, in December 2022, the DOE's Division of Early Childhood Services provided guidance requiring districts to continue paying their contracted providers for their contracted enrollment through 2023. Districts were permitted to reduce monthly payments for salaries for classrooms where teachers had not been hired. We reviewed average daily enrollments for the district providers and determined that the district would have saved approximately $570,000 (less end of contract year modifications) if adjustments for under enrollment were allowed.

Status Update

During the 2024-2025 school year, the district has continued paying providers for contracted enrollment rather than average monthly enrollment when it falls below 93.33 percent.

Lakewood Public School District

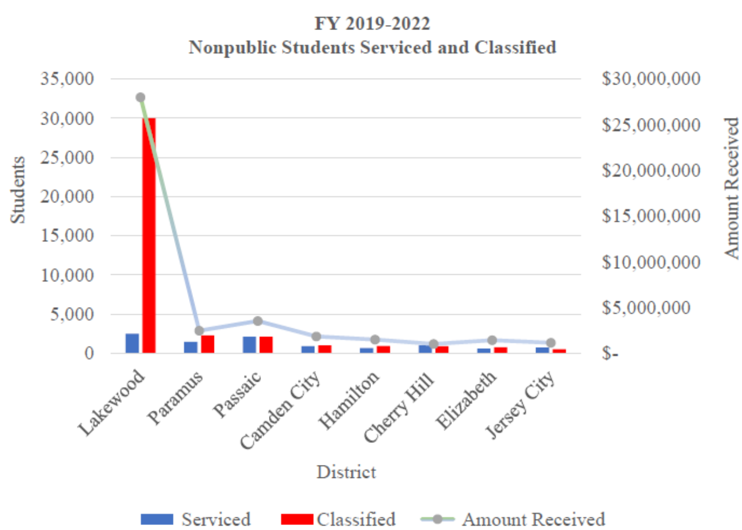
Nonpublic Students Classified and Serviced with IDEA Funds

Original Observation

As part of the Individuals with Disabilities Education Act (IDEA), school districts receive federal funds to administer special education and related services to nonpublic students based on the number of students classified as opposed to the number of students serviced.

According to IDEA reports from the Department of Education, during fiscal years 2019 through 2022, the district received $28.0 million in these funds based on the classification of 29,974 students, or $934 per pupil. However, the district only serviced 2,488 students (8 percent), equating to $11,254 per pupil.

We compared IDEA reports from eight other districts that received this funding and found those districts serviced between 65 and 100 percent of their classified students, with costs per pupil ranging from $1,004 to $2,367. See the table below for more detail:



Status Update

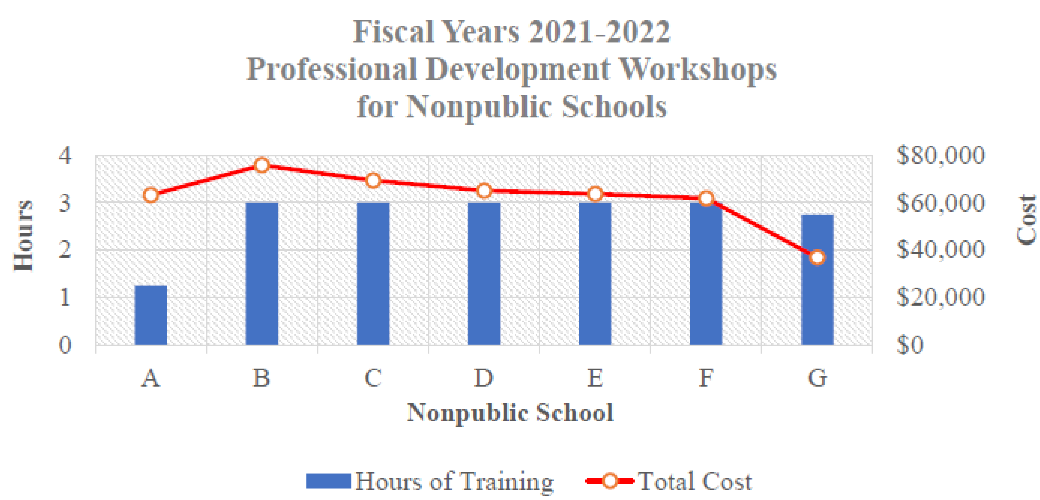
The district continues to provide special education and related services to a small percentage of total classified nonpublic students. We reviewed fiscal year 2024 spending and found the district serviced only 6 percent of classified students, equating to $16,770 per pupil. According to district management, through nonpublic consultation, the intentional decision has been made to provide services to the neediest students.

Lakewood Public School District (continued)

Professional Development Workshops for Nonpublic Schools

Original Observation

The district contracts with the vendors that provide professional development workshops to teachers in nonpublic schools that include a variety of topics. For fiscal years 2021 and 2022, we reviewed a sample of 21 workshops given to nonpublic schools with a total cost of $605,856. The average cost of these workshops was $28,850 and ranged from $5,100 for a one-hour session to $75,698 for a three-hour session. The chart below shows hours and total costs for seven of these workshops given to nonpublic schools.



Status Update

The current vendor contract to provide professional development workshops to teachers in nonpublic schools expires in June 2026. According to district management, contract specifications were being developed to address costs for workshops; however, the district was unable to provide support documentation to substantiate this claim during our review.

New Jersey Economic Development Authority (NJEDA)
Film and Digital Media Tax Credit Program

Film and Digital Media Tax Credit Program

Original Observation

The Film and Digital Media Tax Credit Program (program) provides transferable credits against the corporation business tax and the gross income tax for qualified film production expenses incurred for the production of certain film and digital media content in New Jersey.

Fiscal Benefit

Despite originating from the Garden State Film and Digital Media Jobs Act, the program is not designed to boost the state's economy or provide jobs. Rather, the program's goal is to incentivize production companies to film and create digital media content in the state, which *may* provide jobs and have a positive effect on the economy. Contrary to other NJEDA programs, laws governing the program do not require the authority to perform a cost-benefit analysis to determine the net fiscal benefit to the state.

Status Update

The fiscal benefit evaluation has not yet been completed. According to authority management, more data for certified projects is necessary to complete a return-on-investment calculation of the program based on the gross value added to the state's economy including any direct, indirect, and induced job creation within the industry.

Program Allocation and Carryforward

Through fiscal year 2024, the program has allocated $2.5 billion in available tax credits for film, digital media, film-lease production companies, and studio partners designations and is currently projected to allocate at least $430 million per year through fiscal year 2039. In accordance with the law, the authority reallocated $200 million from the film-lease production companies designation to the film designation in fiscal year 2023 and reallocated $250 million from other authority incentive programs to studio partners and film-lease production companies during each fiscal year 2023, 2024, and 2025. This provided the authority with the ability to approve film projects totaling $265 million in fiscal year 2023. Additionally, the law allows the authority to increase available credits annually for film-lease production companies and studio partners by $250 million and $400 million, respectively. The authority has not yet exercised this option because few projects have been approved for these designations. Based on current legislation, the following table summarizes current and future allocations through fiscal year 2039:

New Jersey Economic Development Authority (NJEDA)
Film and Digital Media Tax Credit Program (continued)

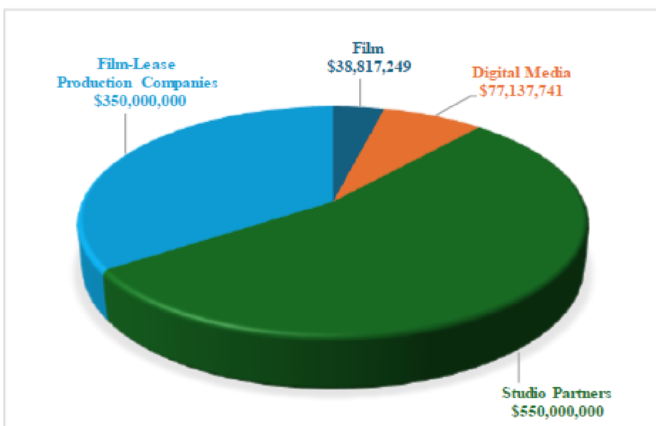
Film and Digital Media Tax Credit Program Allocation

Allocation	Film	Digital Media	Film-Lease Production Companies	Studio Partners	Total
Current	$ 800,000,000	$ 140,000,000	$ 750,000,000	$ 950,000,000	$ 2,640,000,000
Forfeited	(83,829,483)	(10,000,000)	-	-	(93,829,483)
Total	**716,170,517**	**130,000,000**	**750,000,000**	**950,000,000**	**2,546,170,517**
Future	1,500,000,000	450,000,000	2,500,000,000	2,500,000,000	6,950,000,000
Total	**$ 2,216,170,517**	**$ 580,000,000**	**$ 3,250,000,000**	**$ 3,450,000,000**	**$ 9,496,170,517**

Current Allocation includes fiscal years 2019 through 2024
Future Allocation includes fiscal years 2025 through 2039

Since 2020, the law has allowed the program to carry forward unused tax credit allocations, initially with a $50 million cap. Current legislation provides for an unlimited carryforward in each of the program's four designations. The authority's carryforward was over $1 billion from fiscal year 2023 to fiscal year 2024.

Film and Digital Media Tax Credit Program
Fiscal Year 2023 Carryforward, by Designation



As a result of the growing amount of unused allocations and unlimited carryforward of those amounts, there is potentially more than $9 billion in tax credits that could have an impact on state revenue, depending on the timing of their approval, certification, and amount claimed through fiscal year 2039.

New Jersey Economic Development Authority (NJEDA)
Film and Digital Media Tax Credit Program (continued)

Status Update

Recent legislation has extended the program and its allocations to 2049, which increased the total potential tax credits of the program to more than $13 billion. The unlimited carryforward allowance in each designation remains the same.

Department of Human Services
Office of Program Integrity and Accountability (OPIA)
Office of Performance Management
Critical Incident Management Unit

NJ-IRMS

Original Observation

According to Administrative Order 2:05, the department will maintain all reported incidents in the New Jersey Incident Reporting and Management System (NJ-IRMS), which is a web-based comprehensive incident management application designed to support a standardized process for reporting, tracking, managing, and analyzing incidents across all department divisions. Currently, the NJ-IRMS only maintains incidents related to developmental centers through the Division of Developmental Disabilities and mental health programs under the Division of Mental Health and Addiction Services.

The Division of Aging Services (DoAS) administers several federal- and state-funded programs that make it easier for older adults to live in the community as long as possible with independence, dignity, and choice. The DoAS investigates allegations of abuse, neglect, and exploitation through the Adult Protective Services Program. The OPIA is currently in the process of integrating DoAS incidents into the NJ-IRMS. This integration will ensure the department's compliance with federal regulation 42 CFR 441.302(a)(6)(i)(b), effective July 9, 2024, which requires states to have electronic critical incident systems that, at a minimum, enable electronic collection, tracking (including of the status and resolution of investigations), and trending of data on critical incidents. The department has five years from the effective date to comply with the federal regulation.

Status Update

The DoAS incident reports are not maintained in NJ-IRMS. Although significant progress has been made toward integrating DoAS incident reporting capabilities into NJ-IRMS, the remaining delays are primarily attributable to the limited IT resources needed to complete the system buildout and full integration.

SOUTH JERSEY TRANSPORTATION AUTHORITY

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April 9, 2026

Robert F. Gatti, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 S. Warren St.
P.O. Box 067
Trenton, NJ 08625

Dear Mr. Gatti:

Thank you for the opportunity to provide a management response of the South Jersey Transportation Authority (SJTA) concerning the follow-up review results on the development of a Disaster Recovery Plan and documented results. For ease of reference, the following has been taken from the State Audit Report:

The Authority has not developed a Disaster Recovery Plan and documented the results

Background:
According to the NJ State Government Statewide Information Security Manual, the purpose of contingency planning is to minimize the risk of system and service unavailability due to a variety of disruptions by providing effective and efficient solutions to enhance system availability. Agency is required to develop, implement, test, and maintain contingency plans to ensure continuity of operations for all information systems that deliver or support essential or critical functions on behalf of the State of NJ.

Summary:
During our audit, we noted the Authority has not developed a disaster recovery plan.

Report Recommendation:
We recommend the SJTA develop and periodically test a disaster recovery plan and document the results.

Management Corrective Action Response:
A full Disaster Recovery Plan will be documented and tested on a regular basis.

Follow-Up Review Results:
Our follow-up review found the Authority has not developed a Disaster Recovery Plan and documented the results.

SJTA's Response:
The South Jersey Transportation Authority (SJTA) acknowledges the audit finding regarding the absence of a formally documented and tested Disaster Recovery Plan (DRP). While certain recovery procedures and system backup practices have been in place, we recognize that these measures do not fully meet the requirements outlined in the NJ Statewide Information Security Manual.

Currently, the Authority's information systems are undergoing significant infrastructure upgrades, and upcoming security initiatives are being integrated to further enhance and strengthen our overall security posture. The SJTA is actively developing a comprehensive DRP that will define recovery strategies, roles and responsibilities, system priorities, and recovery time objectives. Once these improvements are complete, the DRP will be finalized to ensure full alignment with the updated environment.

Given the scope of these efforts, the SJTA expects to achieve full compliance by the end of the calendar year 2026. Once finalized, the DRP will undergo regular testing, with results documented, any issues promptly addressed, and updates maintained on an ongoing basis.

The Authority appreciates the auditors' recommendations and remains fully committed to achieving and maintaining compliance. Thank you again for the opportunity to review and provide our response regarding the development of a Disaster Recovery Plan and its documented results.

Sincerely,

Joseph Mahoney

Joseph Mahoney
Director of Information Technology
South Jersey Transportation Authority

c: Kevin Steet, South Jersey Transportation Authority

Salem City School District

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Telephone 856.935.3800 Fax 856.935.6977

Dr. Carol L. Kelley
Superintendent

Herbert Schectman
Business Administrator/
Board Secretary

March 10, 2026

Robert F. Gatti, Assistant State Auditor
New Jersey Legislature
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

Reporting Period: January 1, 2024 - December 31, 2024

The Salem City School District appreciates the opportunity to review and respond to the findings contained within the Compliance Review Draft Report. The District takes matters of fiscal accountability, operational transparency, and statutory compliance seriously. Since the period covered by the review, the District has taken a number of corrective actions and implemented additional internal controls designed to strengthen oversight, ensure compliance with New Jersey statutes and regulations, and promote responsible stewardship of public resources.

The following provides the District's formal response and corrective action plan regarding the report's findings.

Procurement and Confirming Orders

The District acknowledges the findings related to confirming purchase orders. Since the audit period, the District has implemented strengthened procurement procedures and internal controls to ensure compliance with district policy and applicable state procurement statutes.

Clear parameters and administrative procedures have been established requiring that all purchases originate through the requisition process prior to the acquisition of goods or services, except in cases of legitimate emergency as permitted under applicable regulations. Additional safeguards now include:

- Defined approval workflows within the district's financial system
- Administrative oversight by the Business Office
- Reinforcement of purchasing procedures with building administrators and department supervisors
- Monitoring of purchase order activity to prevent confirming orders

These enhanced procedures are aligned with state procurement requirements and provide stronger checks and balances to ensure appropriate fiscal oversight.

International Baccalaureate (IB) Program

The District recognizes the concerns raised about funding international travel associated with the International Baccalaureate program. While these experiences are not a formal requirement of the IB curriculum, the District has historically supported them because they represent a culminating academic and cultural experience for students in the rigorous IB program.

Participation in these global experiences provides students with opportunities to engage with peers from other countries, deepen their understanding of international perspectives, and develop intercultural competencies that are central to the mission of the International Baccalaureate framework. These experiences foster global awareness, promote cross-cultural dialogue, and reinforce the program's emphasis on international mindedness.

At the same time, the District is committed to ensuring that these opportunities remain equitable and accessible to all students. Moving forward:

- Students who qualify for Free or Reduced Price Lunch will be supported by the District to ensure that financial barriers do not limit access to these educational opportunities. However, since we do not want the cost of attending to pose a barrier to a family that does not have the discretionary income to send their IB student on a trip, we will fund their trip in these instances (as other districts have done)

- The District will explore fundraising opportunities and external partnerships to help offset travel costs.

- Additional review of funding sources and program structures will be conducted to ensure fiscal responsibility while preserving meaningful educational experiences for students.

The District remains committed to balancing fiscal stewardship with equitable access to enriching academic opportunities.

Employee Travel and Reimbursements

Effective January 2026, the District has revised its employee travel and reimbursement procedures to strengthen oversight and ensure compliance with applicable policies and regulations.

These improvements include:

- Required prior Board of Education approval for travel when applicable

- Formalized approval workflows within the Business Office

- Required review and authorization by both the Business Administrator and Superintendent

- Verification of reimbursement documentation prior to payment

These updated procedures provide improved accountability and internal controls over employee travel expenditures.

Sending District Tuition

The District has reviewed its procedures for sending district tuition calculations and its billing practices.

At this time, the District is using the certified tuition rate for sending districts in the manner cited in the report and has ensured alignment with Department of Education guidance and accurate billing practices moving forward. The

Business Office will continue coordinating with sending districts to ensure that tuition calculations reflect appropriate rates and enrollment data.

Health and Dental Benefits

The District acknowledges the concerns regarding benefits enrollment monitoring. The Business Office has begun reviewing benefit eligibility records and invoices to ensure that only eligible employees and dependents remain enrolled in district-sponsored plans.

Corrective actions include:

- A comprehensive review of current benefit enrollment records
- Verification of eligibility for employees and dependents
- Implementation of periodic monitoring procedures to identify and remove ineligible participants

The District will continue working with its benefits providers to ensure that enrollment records are accurate and maintained in accordance with applicable agreements and regulations.

Employee Leave and Vacation Carryover

The District acknowledges the findings regarding vacation carryover limits under N.J.S.A. 18A:30-9. The District is actively addressing this issue and is implementing measures to ensure compliance with statutory limits on vacation accrual and carryover.

Administrative procedures are being adjusted to:

- Monitor leave balances more closely
- Ensure that excess vacation time is not carried forward beyond allowable limits
- Align leave practices with statutory requirements
- Amend the SCAA agreement to align with the state statute

The District is committed to ensuring that these balances are corrected and maintained in accordance with applicable law.

Athletic Fund

The District has reviewed the concerns related to Athletic Fund expenditures and recordkeeping. The District is currently revising its internal procedures and Board policies governing the Athletic Fund to ensure alignment with district practices and proper fiscal controls.

Corrective actions include:

- Clarifying allowable Athletic Fund expenditures
- Requiring that purchases for goods and services follow the district purchase order process
- Implementing improved documentation of ticket sales and gate receipts

- Strengthening internal controls related to deposits and financial tracking

These changes will help ensure transparency and accountability in the administration of the Athletic Fund.

Student Activity (Pupil) Funds

The District acknowledges the concerns regarding the tracking and reconciliation of student activity funds.

To address this issue, the District will:

- Transition the tracking of individual student activity accounts into one bookkeeping system with sub-accounts for each extracurricular club, rather than external spreadsheets
- Ensure that monthly bank reconciliations align with activity balances
- Implement additional oversight procedures to ensure the accuracy of activity account balances

These improvements will strengthen internal controls and ensure accurate accounting of student activity funds.

Nonresident Student Admissions

The District is reviewing its current policies and procedures regarding nonresident student admissions in consultation with legal counsel to ensure compliance with N.J.S.A. 18A:38-3 and other applicable statutes.

The revised policy will ensure that the District's admission practices align with state requirements and that any nonresident enrollment is consistent with allowable funding mechanisms and program guidelines.

Information Technology (IT) Access Controls

The District has already taken corrective action related to the termination of user access to district systems.

The District now has automated synchronization between the Systems3000 financial system and the OnCourse student information system, enabling improved monitoring and management of user access. Additionally, procedures have been implemented to ensure that system access is promptly disabled upon employee separation.

These measures significantly strengthen the District's information security practices and reduce the risk of unauthorized access.

The Salem City School District remains committed to responsible fiscal management, transparency, and compliance with all applicable statutes and regulations. The District has already implemented several corrective actions and continues to refine its policies, procedures, and internal controls to address the concerns identified in the compliance review.

We appreciate the opportunity to review the findings and will continue working collaboratively to ensure that district practices reflect the highest standards of accountability and stewardship.

Sincerely,

Carol L. Kelley

Dr. Carol L. Kelley

Superintendent of Schools

Salem City School District

John Berenato

John Berenato

Assistant Business Administrator

Salem City School District

State of New Jersey
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MIKIE SHERRILL
Governor

DR. DALE G. CALDWELL
Lt. Governor

DR. RAYNARD E. WASHINGTON
Acting Commissioner

April 23, 2026

David J. Kaschak, State Auditor
Office of the State Auditor
125 South Warren St.
P.O. Box 067
Trenton, NJ 08625-0067

Re: 2025 OSA Compliance Results Report,
Certificate of Need and Licensing Program, New Jersey Department of Health

Dear Mr. Kaschak,

Please accept this letter in response to the 2025 OSA Compliance Results Report for the Certificate of Need and Licensing Program (CN&L) in the New Jersey Department of Health (NJDOH).

As you know, CN&L continually strives to improve its programs and appreciates any feedback on its ongoing efforts to realize any potential operational efficiencies that may be identified through quality improvement endeavors.

In that regard, the Division's response to the 2025 Compliance Results Report is as follows:

First, as it relates to the OSA reported non compliance with the *Timeliness of the Application Review Process: Follow Up Review Results*, CN&L believes that the audit appears to conflate the applicable timeframe for an Expedited Review Certificate of Need (ERCN) with application filing dates that do not provide proper insight on the starting point for which processing timeframes are evaluated.

For clarity, under N.J.A.C. 8:33-5.2, ERCN decisions "shall be rendered by the Commissioner no later than 90 days after the application has been accepted for processing." It is important to note that the timeframe begins upon acceptance for processing, rather than the initial filing date referenced in the Compliance Results Report.

Additionally, N.J.A.C. 8:33-4.5(a) provides: "Only complete applications shall be processed. The Department alone shall make the determination of the completeness status of applications. The Department shall make a decision on the completeness status of an application after the applicant has been given the opportunity to supplement the application within a specified timeframe in response to specific questions by the Department. The Department shall then make a decision on the completeness of the application. The Department shall notify the applicant of its determination."

Consistent with this framework, the Department does not begin processing applications until a completeness determination has been made. This approach helps ensure that reviews are based on a full and accurate record and avoids situations where incomplete submissions could delay the review process.

Based on this understanding, the Division believes that two of the four applications reviewed for the Compliance Results Report were completed within the applicable regulatory timeframe, as reflected in its standard operating procedures. The Division also notes, based on its review of both the procedures and the audit findings, that the current regulatory timeframes may present operational challenges and may warrant further evaluation. In the interim, the Division believes that bi-weekly supervisor review meetings provide an effective mechanism for maintaining staff awareness of applicable timeframes.

Second, as it relates to the OSA reported non compliance with the *Revenue – Application Filing Fees: Follow Up Review Results*, CN&L is engaging in ongoing evaluations of the fiscal dynamic between NJDOH and the Department of Treasury to determine the feasibility of the recommendations put forth in the previous audit which were revisited in this follow up report.

Lastly, the 2025 Compliance Results Report notes an instance of partial compliance with the *Compliance with the Administrative Code: Follow Up Review Results* as it pertains to a subset of the recommendations made, and responses given, in that section of the original audit. This recommendation subset was centered around the enforcement of the administrative code, specifically: "requiring applicants to submit documentation supporting their efforts to obtain a written report from licensing agencies for related facilities in other states". While OSA acknowledged to CN&L that the partial compliance was derived from tested applications that were from applicants with no out of state facilities, CN&L would like to take this opportunity to highlight the fact should it not be cited in the final Compliance Results Review document.

Please let me know if you have any additional questions regarding this response.

Sincerely,

Michael Kennedy, Esq.
Executive Director
Division of Certificate of Need & Licensing
New Jersey Department of Health

C:
Cullen McAuliffe, DOH
Luisa Alexopoulos, DOH
Antonella Ventura, DOH
Jackie Chadwick, DOH
Patrick Barnhardt, DOH
Lynn Certo, DOH
Nicle Pine, DOH

MOVING PLAINFIELD PUBLIC SCHOOLS FORWARD

Plainfield Public Schools

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Phone: (908) 731-4335I Fax: 908-731-4336
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April 21, 2026

Mr. Devan Davies, CFE
Principal Auditor, Office of the State Auditor
Office of Legislative Services
125 South Warren St.
Trenton, New Jersey 08625-0067

Dear Legislative Audit Team,

The Plainfield Public School District acknowledges receipt of the First-Year Compliance Review and appreciates the opportunity to respond to the identified areas of non-compliance. The District is committed to strengthening internal controls, ensuring statutory compliance, and implementing sustainable corrective actions aligned with audit expectations

Below is the District's formal response organized by each recommendation:

Health Benefits

Recommendation 1:

The district should analyze and select the most cost-effective options in accordance with statute when choosing its health benefit plans.

District Response:

The District acknowledges this finding and has initiated a formal, structured annual review process to ensure compliance with statutory requirements related to health benefit plan selection.

Every year a comprehensive comparison report identifying the most cost-effective plans will be conducted, formally reviewed and documented each year. The results of this analysis will be shared with leadership and used to guide plan selection decisions.

Health Benefits Eligibility

Recommendation 2:

Implement written procedures for the timely removal of ineligible individuals and require monthly review of billings.

District Response: **Health Insurance Contributions During Unpaid Leave**

The District has implemented updated Standard Operating Procedures (SOPs) to ensure timely processing of benefit terminations and reconciliation of enrollment records. A formal verification step has been added to confirm successful processing and maintain documentation. Monthly billing reconciliation is now required and monitored.

Additionally, to strengthen internal controls related to benefits administration, attached is a formal communication establishing that benefit termination procedures will be initiated after 45 days of non-payment of required employee contributions. This ensures timely removal of ineligible participants and aligns practice with statutory expectations.

Recommendation 3:

Improve monitoring of individuals on leave without pay.

District Response: **District-wide Payroll Verification Implementation**

The District has established a formal SOP requiring billing of employees on unpaid leave in accordance with collective bargaining agreements. This includes regular reconciliation meetings between HR and payroll personnel.

Prior practices that delayed billing until return-to-work status have been discontinued. While certain historical amounts could not be recovered due to employee separation, this issue has been fully remediated and will not recur.

Preschool Program

Recommendation 4:

Recoup funds from provider that did not absorb additional students or expend additional funding.

District Response:

The District acknowledges this finding and will work with our legal counsel, The Neighborhood House Leadership, and our Business Office to create a repayment plan.

Payroll and Personnel – Unused Leave Payouts

Recommendation 5:

Exercise additional scrutiny when calculating payments to employees.

District Response: Unused Leave Payout

The District acknowledges this finding and has reviewed the specific case identified in the audit.

The attached documentation demonstrates that the employee in question received a single leave payout, which was disbursed in two installments rather than multiple or duplicate payments.

To strengthen controls moving forward:

- All leave payouts will require formal Board approval prior to disbursement
- Additional layers of review and verification will be implemented within the payroll process
- Documentation standards will be enhanced to ensure transparency and audit readiness

This matter is also being considered as part of the District's broader payroll process improvements currently underway.

Information Technology

Recommendation 6:

Reassign duties of the system administrator to individuals independent of transaction processes.

District Response:

The District has initiated a comprehensive review of user access and system roles across all critical platforms. Actions underway include:

- Reassignment of system administrator rights exclusively to IT personnel
- Removal of elevated access from non-IT staff
- Implementation of monitoring protocols for administrative activity
- Formal documentation of role-based access controls

Additionally, offboarding procedures are being finalized to ensure timely removal of system access upon employee separation. These changes will ensure proper segregation of duties and strengthen internal controls.

School Facilities

Recommendation 7:

Review user classification definitions in regulation 1330R and ensure alignment with scheduling software.

District Response: Facilitron and Regulation 1330R Reconciliation

The District acknowledges this finding and has initiated a full review of Regulation 1330R to ensure alignment with Facilitron scheduling classifications.

Attached is a memorandum identifying a single, centralized point of contact responsible for oversight of this process moving forward. This structural change will ensure:

- Consistency between policy definitions and system classifications
- Ongoing monitoring and monthly reconciliation
- Clear accountability for implementation and compliance

Additionally, Facilitron oversight is being reassigned to the IT Department to ensure system alignment and operational integrity.

Observations

The district acknowledges the auditor's observations related to non-instructional expenditure efficiency and the need for improved alignment of preschool provider payments with actual enrollment. Specifically, the district recognizes the concern regarding custodial overtime levels exceeding 10% of base salary, as well as the need to strengthen processes to ensure that monthly payments to preschool private providers are adjusted based on enrollment. The following responses outline the operational factors contributing to these conditions and the corrective actions the district is implementing to enhance efficiency, oversight, and compliance with applicable regulations.

Observations submitted regarding custodial overtime exceeding 10% of base salary. The district's custodial overtime is primarily driven by the extensive use of facilities beyond standard school hours, including athletics, community events, Board meetings, and extracurricular activities that routinely extend into the evening and require custodial support for setup, supervision, cleaning, and securing of buildings. Additionally, workforce composition contributes to overtime utilization, as approximately 60% of custodial staff are long-tenured employees entitled to contractual leave benefits, resulting in both planned and unplanned absences that must be covered to maintain safe and continuous operations. In September, the district completed a comprehensive reorganization of custodial staffing aligned with New Jersey Department of Education guidelines, specifically the standard of one custodian per 17,500 square feet, with assignments redistributed based on building size and operational needs. The district continues to actively monitor overtime usage and implement adjustments where feasible to improve efficiency while ensuring all facilities remain safe, functional, and properly maintained; a staffing chart reflecting post-reorganization assignments is included for reference.

The district acknowledges the auditor's observation regarding the lack of enrollment-based adjustments to monthly payments for preschool private providers. Historically, the district did not adjust monthly payments based on enrollment; instead, when enrollment declined, classrooms were closed and associated funds were recouped, a practice that did not fully align with state expectations. Additionally, monitoring of these adjustments was not consistently formalized. In response and following guidance communicated through the New Jersey Department of Education, the district has notified all providers that beginning with the 2026–2027 school year, monthly payment adjustments will be enforced in accordance with contractual requirements and aligned to actual enrollment. This expectation was presented at the March 2026 Directors Meeting and will be reinforced during upcoming quarterly provider meetings. Moving forward, the district will implement more structured monitoring and documentation processes to ensure compliance, transparency, and alignment with regulatory requirements.

Conclusion

The District takes all findings seriously and has implemented or initiated corrective actions across all identified areas. Several items are fully remediated through newly established SOPs, while others are supported by formal directives, documented procedures, enhanced oversight structures and ongoing investigations.

We appreciate the continued partnership with the Legislative Audit Unit and welcome the opportunity to meet to review our progress in greater detail. Please advise on your availability following April 14, and we will coordinate accordingly.

Respectfully submitted,

Elizabeth Filippatos

Dr. Elizabeth Filippatos, Ed. D.
Acting Superintendent, Plainfield Public Schools

State of New Jersey
DEPARTMENT OF CORRECTIONS
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MIKIE SHERRILL
Governor

DR. DALE G. CALDWELL
Lt. Governor

VICTORIA L. KUHN, ESQ.
Commissioner

May 20, 2026

Robert F. Gatti, Assistant State Auditor
Office of the State Auditor
125 South Warren Street
P.O. Box 067 Trenton, New Jersey 08625-0067

Dear Mr. Gatti,

The New Jersey Department of Corrections (NJDOC) on behalf of Mid State Correctional Facility appreciates the opportunity to provide responses to the four non-compliance findings as a result of the Office of Legislative Services annual compliance review. Please be advised that the NJDOC has reviewed the recommendations and incorporates them into daily operations to improve processes.

Substance Use Disorder (SUD) Assessments and Program Placement

Background
Pursuant to the contract, SUD assessments should be completed by the vendor within five business days of referral by the department.

Summary
During the audit, we found SUD assessments were not completed timely.

Report Recommendation
We recommended the department ensure SUD assessments are completed within five business days of referral in accordance with the contract.

Management Corrective Action Response
SUD assessments cannot be completed within five business days of referral due to the current transfer process.

Follow-Up Review Results
Our follow-up review found SUD assessments were not completed within five business days of referral.

NJDOC Response
The timeliness of assessments continues to be a priority for the SUD program. Due to the current location of the program and the incarcerated persons' transfer process, it is sometimes difficult to meet the five business days requirement. It is anticipated that the SUD program will move from Mid-State Correctional Facility (MSCF) to South Woods State Prison (SWSP) mid-July 2026. This will improve the timeliness of the assessment process due to the incarcerated persons already being housed at SWSP waiting for acceptance into the program.

Sick Leave

Background
The department's Human Resources Bulletin 84-17 requires an employee to submit appropriate medical documentation for all absences in excess of 15 days of sick leave in a calendar year.

Summary
During the audit, we requested medical documentation to support employee sick absences in excess of 15 days; however, human resources did not provide this documentation for any of the 15 employees tested.

Report Recommendation
We recommended the department's Office of Human Resources ensure medical documentation is obtained as required by department policy.

Management Corrective Action Response
Timekeepers will be reminded of the proper usage of the fifteen-day memo for employees not covered by an approved FMLA and reinforce the requirement that medical documentation must be provided for usage in excess of fifteen days. The department's internal audit unit will conduct periodic audits to ensure compliance.

Follow-Up Review Results
Our follow-up review found the department did not provide us with requested medical documentation for all four employees we tested. The fifteen-day memo was provided for three of the four employees tested.

NJDOC Response
NJDOC is transitioning to ECATs timekeeping for civilian staff in FY27. This will allow Human Resources to generate reports specifically for employees that used more than 15 sick days. This will enable Human Resources to follow-up with supervisors in a consistent, timely fashion if medical documentation is not provided and determine corrective action to be taken.

NJDOC is transitioning to InTime timekeeping for custody staff in FY27. NJDOC has developed a daily call off log with custody scheduling unit to track call offs and FMLA/FLA. A column will be added to the log indicating if an employee exceeds 15 days sick time. This will enable Human Resources to follow-up with supervisors in a consistent, timely fashion if medical documentation is not provided and determine corrective action to be taken.

Expenditures
Delegated Purchasing Authority (DPA) and Other Expenditure Transactions

Background
Treasury Circular No. 22-09-DPP (currently 26-02-DPP) defines a DPA transaction as one that cannot be procured through one of the four primary contracting methods and establishes procedures for obtaining price quotes based on specific transaction dollar amounts.

Summary
During the audit, documentation of a competitive procurement process in accordance with the DPA procedures was not always evident.

Report Recommendation
We recommended the facility ensure price quotes are obtained and documented for DPA purchases.

Management Corrective Action Response
Facility staff have been provided with training in the DPA process. The department plans to centralize the purchasing process and utilize an electronic workflow to provide more oversight to ensure DPA procedures are followed.

Follow-Up Review Results
Our follow-up review found one of the five sampled DPA transactions did not have the required number of quotes. Additionally, the payment for one of the sampled DPA transactions was higher than the corresponding price quote.

NJDOC Response
The sampled DPA transactions were from FY 25. Since that period, there has been a transition of staff, additional training provided, and the implementation of the centralized procurement workflow through SimpliGov. The Workflow provides additional oversight to ensure Circular Letter 26-02 DPP- Delegated Purchase Authority for Goods and Services is followed.

Expenditures
HealthCare Provider Logbook

Background
The facility maintains a healthcare provider logbook for the vendor's employees to sign in and sign out of the facility. The logbook should document all vendor employees entering and departing the facility and is necessary for safety and security purposes.

Summary
During the audit, we compared vendor timesheets to the logbook and found sign-ins and sign-outs were missing or inaccurate for 30 percent of the sampled period.

Report Recommendation
We recommended the department enforce its sign-in policy.

Management Corrective Action Response
Custody staff continues to ensure that sign-in requirements are adhered to for both civilians participating in programming implementation and the contracted vendor.

Follow-Up Review Results
Our follow-up review found that, based on an internal review by the department's central office, vendor employees were not consistently signing out.

NJDOC Response
The Office of Financial Management Auditing Team and MSCF Administration are working together to monitor the sign-in process and enforce the policy.

We appreciate the auditors' review and take the recommendations as positive feedback to improve our processes. Thank you for the professionalism demonstrated and respect of our safety and security protocols.

Regards,

Victoria L. Kuhn, Esq.
Commissioner
New Jersey Department of Corrections

c: Daniel J. Sperrazza, Chief of Staff
Erin Nardelli, Deputy Commissioner
Patrick Nogan, Assistant Commissioner, Division of Operations
Jennifer Caignon, Assistant Commissioner, Division of Human Resources
Donna M. Gies, Assistant Commissioner, Division of Administration
Emmanuel M. Mahlis, MD, FACP, Managing Physician
Amy M. Emrich, Administrator

PUBLIC SCHOOLS

"Children come first, Los niños son primero"

James Earle
Superintendent of Schools

February 12, 2026

Stephanie Collins, MBA
Principal Auditor
Office of the State Auditor
Office of Legislative Services
125 S. Warren Street
P.O. Box 067
Trenton, NJ 08625

Dear Ms. Collins,

The Trenton Board of Education is in receipt of the follow-up review findings regarding student attendance records. We acknowledge the data provided and are committed to ensuring that our district achieves full compliance with attendance submission and verification requirements.
To address the concerns raised and to solidify our internal controls, the Trenton Public Schools has implemented and reinforced the following measures:

- **Mandated Teacher Submission:** We have mandated that all teachers take student attendance daily. This is a non-negotiable requirement of their professional responsibilities to ensure student safety and accurate record-keeping.
- **Mandated Principal Verification:** We have mandated that Principals check and verify the attendance submissions within the student information system daily. This adds a critical layer of supervisory oversight to ensure no classroom is overlooked.
- **Comprehensive Training:** To support these mandates, we have provided formal training to both Principals and teachers. This training specifically covers the technical steps for recording attendance and instructions on how to run attendance reports to identify and correct gaps in real-time.
- **Designated Continuity Personnel:** To prevent lapses during staff absences, we have designated a backup person in each school. This individual is responsible for confirming that attendance is taken and verified if a teacher or Principal is absent.

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- **Executive Oversight:** Assistant Superintendents have been tasked with regularly reviewing attendance data across their respective schools. This high-level review ensures that the processes we have put in place are being followed consistently and effectively.

The Trenton Public Schools remain dedicated to maintaining accurate attendance records as a fundamental component of student safety and educational success. We will continue to monitor these internal controls to ensure the deficiencies noted in the follow-up review are fully corrected.

Sincerely,

James N. Earle

Mr. James Earle
Superintendent
Trenton Public Schools