



**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**

Borough of Woodbine School District

July 1, 2004 to June 30, 2007

LEGISLATIVE SERVICES COMMISSION

ASSEMBLYMAN
JOSEPH J. ROBERTS, JR.
Chairman

SENATOR
THOMAS H. KEAN, JR.
Vice-Chairman

SENATE

ANDREW R. CIESLA
RICHARD J. CODEY
NIA H. GILL
ROBERT M. GORDON
SEAN T. KEAN
JOSEPH M. KYRILLOS, JR.
LORETTA WEINBERG

GENERAL ASSEMBLY

PETER J. BIONDI
JON M. BRAMNICK
JOHN J. BURZICHELLI
ALEX DECROCE
ALISON LITTELL MCHOSE
JOAN M. QUIGLEY
BONNIE WATSON COLEMAN



New Jersey State Legislature

OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN STREET
PO BOX 067
TRENTON NJ 08625-0067

ALBERT PORRONI
Executive Director
(609) 292-4625

OFFICE OF THE STATE AUDITOR
(609) 292-3700
FAX (609) 633-0834

STEPHEN M. EELLS
Assistant State Auditor

THOMAS R. MESEROLI
Assistant State Auditor

The Honorable Jon S. Corzine
Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

The Honorable Joseph J. Roberts, Jr.
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Borough of Woodbine School District for the period of July 1, 2004 to June 30, 2007. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in cursive script that reads "Stephen M. Eells".

Stephen M. Eells
Assistant State Auditor
January 20, 2009

Table of Contents

	Page
Scope.....	1
Objective	1
Methodology	1
Conclusions	2
Findings and Recommendations	
Fiscal Year 2005 General Fund Deficit.....	3
Fiscal Year 2006 General Fund Deficit.....	3
Fiscal Year 2007 General Fund Deficit.....	3
Auditee Response.....	District chose not to respond

Borough of Woodbine School District

Scope

We have completed a forensic audit of the Borough of Woodbine School District for the period July 1, 2004 to June 30, 2007. Our audit included financial activities accounted for in the district's General Fund. Total reported expenditures were approximately \$3.7 million in fiscal year 2005, \$3.8 million in fiscal year 2006, and \$3.9 million in fiscal year 2007. The district provides regular and special education programs to approximately 230 students in grades pre-kindergarten to eighth.

Objective

The objective of our audit was to determine the primary factors that contributed to the district's fiscal year 2005, fiscal year 2006, and fiscal year 2007 year-end General Fund deficits of \$67,000, \$58,000 and \$67,000, respectively.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in the "School District Fiscal Accountability Act", N.J.S.A. 18A:7A-57 (P.L. 2006, c. 15).

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

In preparation for our testing we studied legislation, administrative code, and policies of the school district. We read school district budgets, reviewed financial trends, and interviewed school district personnel to obtain an understanding of the programs and the internal controls. We interviewed officials from the Cape May County Superintendent's Office to gain an understanding of their oversight and monitoring functions. In addition, we reviewed annual audit reports issued by the public school accountants contracted by the district. We also interviewed the accountants to gain an understanding of their responsibilities in the budget and reporting process.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were judgmentally selected.

Conclusions

Voter disapproval of the school budgets required the administration to reduce spending. Budgets were reduced in 2006 and 2007 by \$197,000 and \$149,000, respectively. These budgets were subsequently overspent and the district ended each fiscal year in a deficit status. The overall deficit has not increased since fiscal year 2005.

Unanticipated expenditures, under budgeted accounts, an error in not voiding encumbrances, and the imposition of an administrative fine in fiscal year 2005 were the main causes for the General Fund deficits in fiscal years 2005, 2006 and 2007. It is important to note that despite positive actions to control costs deficits occurred which ranged from 1.7 percent to 2.0 percent of the General Fund budget.

We also noted weaknesses in financial and administrative controls which have been reported to management in a separate letter dated January 20, 2009.

Fiscal Year 2005 General Fund Deficit

Budgeting issues and an administrative fine resulted in a deficit.

The school district incurred \$20,000 in expenses that were not included in the budget. Examples included an \$11,000 unused leave payment to a retiring employee, \$5,000 in interest, \$3,000 in testing fees, and \$1,650 in school board convention expenses.

In addition, judgments, settlements, and lawyer fees exceeded the budget by \$43,000. Although costs in these categories for the prior three years averaged \$108,000, only \$24,000 was budgeted in fiscal year 2005.

Another factor impacting the deficit was the imposition of a \$24,000 administrative fine by the Department of Education for higher than average per pupil administrative costs. This was primarily due to a decrease in student population from 283 to 237.

Fiscal Year 2006 General Fund Deficit

Insufficient funds were budgeted for special needs costs.

The district spent \$329,000 for tuition and transportation costs for special needs students in fiscal year 2005. They budgeted only \$314,000 for fiscal year 2006 and spent \$549,000 thus exceeding the budget by \$235,000. Expenses for special needs students can change due to increases or decreases in the number of students throughout the school year. The district was able to reduce costs in other areas which resulted in a reduction in the deficit from \$67,000 at June 30, 2005 to \$58,000 at June 30, 2006.

Fiscal Year 2007 General Fund Deficit

An unbudgeted transfer and accounting errors impacted the deficit.

The district made an unbudgeted transfer of \$13,000 to the cafeteria fund. In addition, the district voided encumbrances totaling \$26,000 in July 2007. If these encumbrances were voided in June the deficit would have been reduced by this amount.

Recommendation

We recommend that the school district's expenses be analyzed more critically. All anticipated expenditures should be budgeted. When required, the current year budget should also account for prior year deficits. Additionally, encumbrances should be evaluated at year end and voided when commitments no longer exist.

»><«