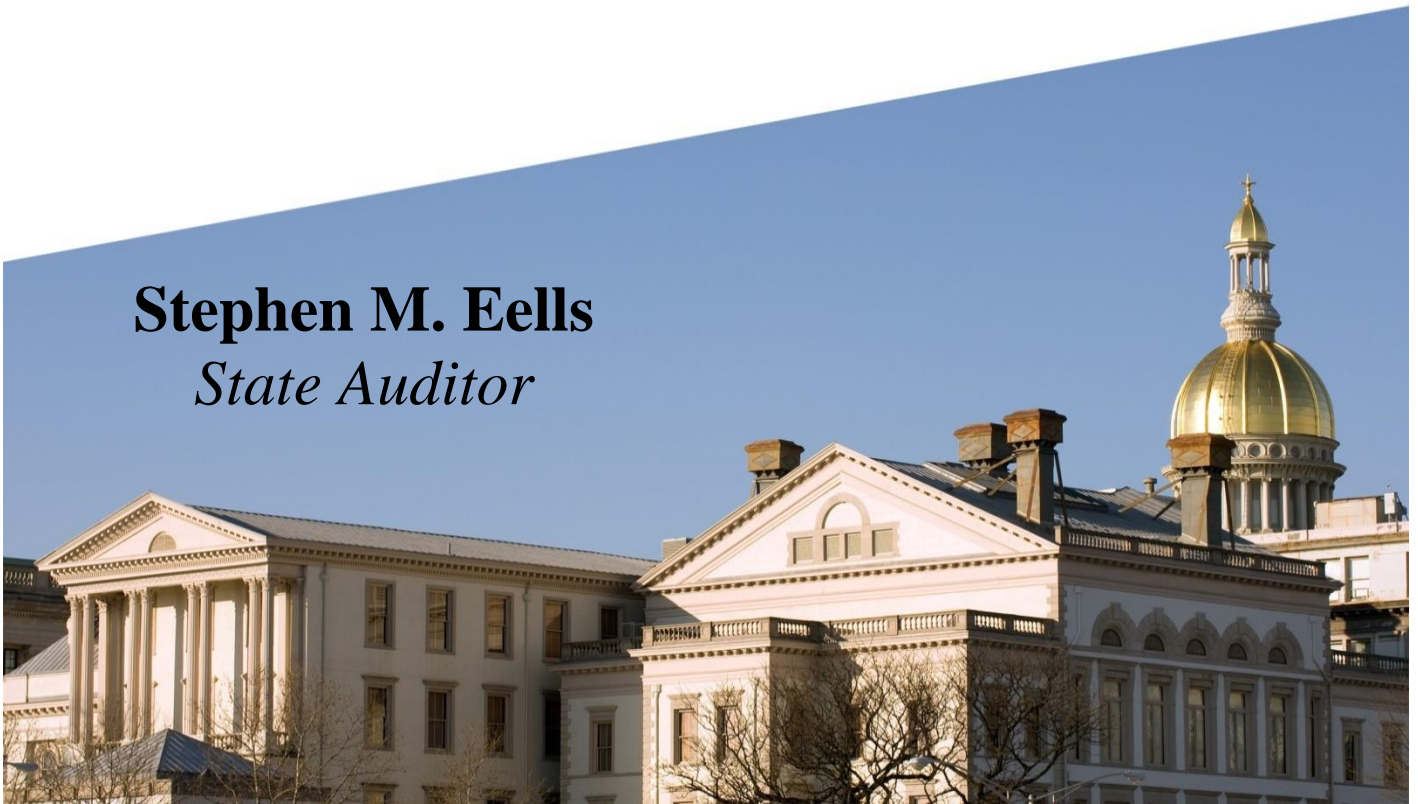


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Ridgefield Park School District

July 1, 2015 to June 30, 2019

Stephen M. Eells
State Auditor



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Enclosed is our report on the audit of the Ridgefield Park School District for the period of July 1, 2015 to June 30, 2019. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "S. Eells", with a large, stylized flourish extending to the left.

Stephen M. Eells
State Auditor
February 12, 2020

Table of Contents

Scope.....	1
Objectives	1
Methodology	1
Conclusions.....	2
Findings and Recommendations	
District’s Fiscal Year 2016 Financial Condition	3
Tuition Contracts with Little Ferry School District	6
Rental of School Facilities	9
Payroll and Personnel	12
School Board Conflicts of Interest.....	13
Criminal History Background Checks	14
Home Instruction	15
Health Benefits.....	16
Procurement	17
Information System Security	18
Observations	
Employee Contributions for Health Benefits.....	19
Extended Before and Aftercare Program	22
Auditee Response.....	24

Scope

We have completed an audit of the Ridgefield Park School District (district) for the period July 1, 2015 to June 30, 2019. Our audit included financial activities accounted for in the district's General Fund.

Annual General Fund expenditures for fiscal years 2016 through 2018 averaged \$40.8 million. Annual state aid receipts averaged \$11.5 million during the same period. In fiscal year 2016, the New Jersey Department of Education (NJDOE) provided state aid of \$12.7 million which included a \$2.5 million loan as an advance of state aid to address the district's projected end-of-year budgetary deficit. The loan is to be repaid over a period of ten years. The district provides regular, vocational, and special education services for grades K through 12. Annual enrollment for fiscal years 2016 to 2018 averaged 2,388 students including an average of 335 high school students from Little Ferry. Since May 2016, the Commissioner of Education has appointed a state monitor to oversee the fiscal operations of the district.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the district's programs, were reasonable, and were recorded properly in the accounting system. An additional objective was to determine the primary factors that contributed to the fiscal year 2016 year-end General Fund budgetary deficit the district would have had to report had the district not received the advance of state aid.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the Department of Education and the district. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We read the district's budgets and the Ridgefield Park Board of Education (board) minutes, reviewed financial trends, and interviewed district personnel to obtain an understanding of the programs and the internal controls. In addition, we reviewed the annual audited financial reports of the district issued by public school accountants.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally selected for testing

Conclusions

We identified the primary factors that contributed to the fiscal year 2016 year-end General Fund budgetary deficit the district would have had to report had the district not received the advance of state aid. The deficit was a result of district tuition and miscellaneous revenues not meeting unreasonable projections, unrealized savings in employee benefits and student transportation services, and inadequate funds to cover lease payments for school facilities.

We also found that the financial transactions included in our testing were related to the district's programs, however, they were not always reasonable or properly recorded in the accounting system. Some transactions were never approved by the board, and some were made with related parties. In addition, we found weaknesses over payroll and information technology meriting the district's attention.

Certain matters were referred to the state's Division of Criminal Justice.

District's Fiscal Year 2016 Financial Condition

The district management's financial decisions would have resulted in a budgetary fund balance deficit during fiscal year 2016 if not for an advance of state aid.

The district ended fiscal year 2016 with a General Fund budgetary fund balance of \$1,313,884 and, within the classification "unassigned", a budgetary fund balance of \$926,029 per its audited Comprehensive Annual Financial Report (CAFR). However, on June 13, 2016 the district received approval from the NJDOE for a \$2.5 million loan as an advance of state aid the district had requested due to a projected fiscal year 2016 year-end General Fund budgetary deficit. Without the advance of state aid, the district would have reported a fiscal year-end General Fund budgetary fund balance deficit of \$1,186,116 and an unassigned budgetary fund balance deficit of \$1,573,971 as illustrated in the following table.

General Fund	FY 2016	FY 2016 Without State Loan
Beginning Fund Balance	\$852,984	\$852,984
Revenue	\$41,540,686	\$39,040,686
Expenditures	\$40,899,786	\$40,899,786
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$640,900	-\$1,859,100
Other Financing Sources- Transfers to Cover Deficit (Enterprise Fund)	-\$180,000	-\$180,000
Revenue and Other Financing Sources vs Expenditures	\$460,900	-\$2,039,100
Ending Fund Balance	\$1,313,884	-\$1,186,116
Capital Reserve	\$241,870	\$241,870
Capital Reserve-Designated for Subsequent Year's Expenditures	\$91,000	\$91,000
Year-end Encumbrances	\$45,258	\$45,258
ARRA/SEMI-Designated for Subsequent Year's Expenditures	\$9,727	\$9,727
Unassigned Fund Balance	\$926,029	-\$1,573,971

The deficit was a result of district tuition and miscellaneous revenues not meeting unreasonable projections, unrealized savings in employee benefits and student transportation services, and inadequate funds to cover lease payments for school facilities.

Tuition Revenue

During fiscal year 2016, the district provided regular education services to 336 Little Ferry School District (Little Ferry) high school students (including shared students receiving educational services at more than one school district) and special education services to 12 students from Little Ferry, Bogota, Edgewater, and Teaneck school districts. The district budgeted fiscal year 2016

tuition revenue based on 330 full time and 15 shared regular education students from Little Ferry, one regular education student from Belleville, and 10 special education students. In addition, the district also budgeted \$360,000 for the resource center and \$90,000 for special education extraordinary services.

At the time of the fiscal year 2016 budget preparation, the district was bound by a three-year (fiscal years 2014-2016) tuition contract with Little Ferry for regular education services to high school students (discussed later in this report). Under the contract, the fiscal year 2016 tuition rate per student was \$11,713. Instead of using the contractual rate, the district budgeted the regular education tuition revenue based on the rate of \$12,999 per student (automatically calculated by the computerized budgetary system upon entering of all budget information), \$1,268 in excess of the contractual rate.

In addition, the district budgeted tuition revenue for 10 out-of-district special education students at the annual rate of \$60,000 to \$80,000 per student while the actual rates charged were \$17,906 to \$72,500 per student. In February 2016, the tuition rates for Little Ferry special education students were negotiated down retroactively from the originally charged \$80,250 to \$17,906. Also, the special education services were provided to an average of 7 out-of-district students instead of the 10 budgeted students.

We were unable to determine how the district arrived at the budgeted revenue for the resource center and extraordinary services. The budget line item for special education extraordinary services is usually reserved for budgeting of one-to-one aides. According to the budget supplemental notes, aides were already included in the \$60,000 to \$80,000 per student tuition rates, therefore there was no basis for budgeting an additional \$90,000 for the services. We were informed the revenue for this budgetary line item was increased at the direction of the district’s administrator at the time to cover lease expenses (discussed later in the Rental of School Facilities finding). As a result of this budgeting process, budgeted tuition revenue exceeded actual revenue by more than \$1 million as illustrated below.

	Budgeted			Actual			Actual vs Budgeted
	Number of Students	Rate	Total	Number of Students	Rate	Total	Difference
Regular Education							
Little Ferry BOE-Regular Educat	330	\$12,999	\$4,289,670	328.2	\$11,731	\$3,850,114	(\$439,556)
Little Ferry BOE-Shared Time	7.5	\$12,999	\$97,493	8.4	\$11,731	\$98,540	\$1,047
Belleville BOE	1	\$12,999	\$12,999	0	\$0	\$0	(\$12,999)
Regular Education Total	338.5		\$4,400,162	336.6		\$3,948,654	(\$451,508)
Special Education							
Behavioral Disabilities	2	\$80,000	\$160,000			\$88,257	(\$71,743)
Multiple Disabilities	6	\$60,000	\$360,000			\$80,839	(\$279,161)
Autism	2	\$80,000	\$160,000			\$132,000	(\$28,000)
Pre-School Disability	0	\$0	\$0			\$3,276	\$3,276
Prior Year Adjustment	0	\$0	\$0			\$6,518	\$6,518
Special Education Total	10		\$680,000			\$310,890	(\$369,110)
Other Services							
Resource Center Services			\$360,000			\$224,760	(\$135,240)
Extraordinary Service			\$90,000			\$0	(\$90,000)
Other Services Total			\$450,000			\$224,760	(\$225,240)
Errors						(\$82)	(\$82)
Totals			\$5,530,162			\$4,484,222	(\$1,045,940)

Miscellaneous Revenue

In addition to over-budgeting fiscal year 2016 tuition revenue, the district also over-budgeted miscellaneous revenues. The actual fiscal year 2016 miscellaneous revenue was \$209,780 or \$317,794 less than the \$527,574 budgeted amount. The prior year miscellaneous revenue totaled \$150,066 and came from similar sources. The highest sources of miscellaneous revenue in both fiscal years included various E-Rate reimbursements for internet and telecommunication services and facility rental fees. We were not provided with documentation to support the budgeted miscellaneous revenue calculation but were informed that the budgeted revenue number was also increased at the direction of the district's former administration to help cover the aforementioned lease expenses.

Available Appropriations

Fiscal year 2016 budgeted appropriations were overstated as a result of the overestimated revenues. The district's need for additional revenues was due to the fact that during fiscal year 2016 the district was required to make \$773,613 in payments related to a 10-year agreement signed in June 2014 for the rental of two school facilities (discussed later in this report). The district planned to fund the lease payment using the fiscal year 2013-2015 tax levy banked cap of \$322,000 and the fiscal year 2016 tax levy adjustment for health benefits of \$339,000. The district also planned to use an estimated \$300,000 in student transportation cost savings to be realized during fiscal year 2016 by expanding the district's bus fleet, eliminating the transportation vendor, and generating revenue from busing services. Management decisions made during the fiscal year resulted in over-expenditure of original budgets for both the health benefits and transportation accounts.

Health Benefits Costs

Fiscal year 2016 health benefits costs totaled \$5.6 million, an increase of 20 percent when compared to fiscal year 2015. The actual health benefits expenditures exceeded the original budget by \$366,805. The reason for this increase and the under-budgeted account was the decision the district's administration at the time made in July 2015 to reduce employee health benefits contributions from the statutory Tier 4 level to 1.5 percent of base salary (discussed later in this report). This decision resulted in a \$452,745 loss of revenue from employee contributions that would have offset the health benefits cost. This was not calculated into the fiscal year 2016 budget and eliminated the tax levy adjustment for health benefits intended to pay for the lease.

Transportation Costs

The anticipated transportation cost savings for fiscal year 2016 were not realized. Although the district was able to reduce the cost of the outsourced transportation contract, the total transportation costs increased by more than \$235,000 or 44 percent (16 percent when netted by generated revenue) when compared to fiscal year 2015. The most significant increase (\$347,000) was in transportation salaries which exceeded the budgeted amount by more than \$156,000. During fiscal year 2016 the district hired a third full-time bus driver, a relative of an administrator, and increased the salaries of the other two full-time bus drivers by 82 percent. According to a

former administrator, the salaries were raised to enable the district to offer a more lucrative salary to the newly hired full-time driver, and the raise was contingent upon elimination of driver overtime. However, we found fiscal year 2016 overtime was not reduced and was comparable to the prior year's overtime. These additional non-budgeted costs and unrealized savings resulted in transportation costs exceeding the budgeted amounts.

Recommendation

We recommend the district prepare fiscally sound budgets.



Tuition Contracts with Little Ferry School District

The district lost \$1.7 million because of unfavorably negotiated tuition contracts.

The district provides regular education services to high school students from the Little Ferry School District (Little Ferry). Tuition revenue averaged \$4 million for fiscal years 2014 through 2018 for an average of 332 students.

N.J.A.C. 6A:23A-17.1(c) requires that the receiving district obtain certification of its "actual cost per student" for each tuition category for a given year from the Commissioner of Education. Per N.J.A.C. 6A:23A-17.1(f)1, the receiving district and the sending district should also establish by written contractual agreement a tentative tuition charge for budgetary purposes by multiplying the "estimated cost per student" by the "estimated average daily enrollment of students" expected to be received. The "estimated cost per student" should be determined by the receiving district using the appropriate supporting schedule in its annual budget for the ensuing year. In lieu of completing the required form, the receiving district has an option of setting an estimated cost per student using the most recent year's certified cost per student multiplied by one plus the Consumer Price Index (CPI) for the budget year or 2.5 percent, whichever is greater. If more than one fiscal year has elapsed since the most recent cost per student certification, the CPI should be added for each additional year.

If the contractual tentative tuition charge, except for a student enrolled in a special education class, is greater than the actual cost per student (certified rate) multiplied by the actual average daily enrollment, the receiving district is required to return the difference to the sending district in the second school year following the contract year. If the contractual tentative tuition charge, except for a student enrolled in a special education class, is less than the certified rate, the receiving district may charge the sending district all or part of the amount owed by the sending district, to be paid during the second school year following the school year for which the tentative charge was paid.

In July 2013, the district signed a three-year (fiscal year 2014-2016) contract with Little Ferry to provide regular education services to Little Ferry high school students. The district used a standard contract form as required by N.J.A.C. 6A:23A-17.1(f); however, as was the case with multiple prior agreements, the fiscal year 2014-2016 contract included only the tuition rate per

student for each fiscal year but did not provide an estimated number of students or total estimated tuition cost. Since this was a three-year contract, the district could not have determined an estimated cost per student for years two and three of the contract using supporting schedules in annual budgets, therefore the district should have used the most current certified rates multiplied by one plus CPI or 2.5 percent, whichever was greater. The most current certified rate for grades 9-12 available at the time of the contract execution was the fiscal year 2012 rate of \$11,850 per student (or \$12,146.25 with the 2.5% adjustment). The contractual rates were less than the fiscal year 2012 certified rate for all three contract years. The CPI adjustments were also not factored into fiscal year 2017 through fiscal year 2020 contractual rates (fiscal year 2020 contract is still being negotiated).

The fiscal year 2014-2016 contract included two additional provisions. First, an annual cap of \$100,000 above or below budget calculated against actual enrollment figures to “protect both parties”. This provision was included in every contract since at least fiscal year 2008 (and again in the fiscal year 2018 contract) but protected only Little Ferry as the sending district was already guaranteed a full refund of a tentative tuition overcharge under the administrative code. Because of the cap, the district had to reimburse Little Ferry \$58,000 for fiscal year 2018 tuition despite the certified cost per pupil exceeding the contractual rate. The second provision called for exclusion of certified tuition adjustments for all three contract years. This was the first time such a provision was included in a contract since at least fiscal year 2008. It was omitted from the fiscal year 2017 contract but included again in the fiscal year 2018 and fiscal year 2019 contracts. As of August 12, 2019, the fiscal year 2020 contract was still in a negotiation stage because Little Ferry refused to agree to the certified tuition adjustment provision and was challenging the contract term with the Department of Education’s Bergen County office.

The following table illustrates contractual rates in comparison to the certified rates. Only fiscal year 2012 and fiscal year 2013 certified rates were less than contractual.

Tuition Rates	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18
Certified Cost per Pupil	\$11,483	\$12,332	\$11,917	\$11,976	\$11,850	\$12,152	\$12,446	\$12,625	\$13,483	\$13,203	\$14,322
Contractual Rate	\$11,200	\$11,300	\$11,300	\$11,700	\$11,934	\$12,173	\$11,500	\$11,615	\$11,731	\$12,625	\$13,483
Difference	\$283	\$1,032	\$617	\$276	(\$84)	(\$21)	\$946	\$1,010	\$1,752	\$578	\$839

We compared tuition revenue calculated based on certified rates to the actual tuition revenues received by the district during fiscal year 2014 through fiscal year 2018 and noted the district lost \$1.7 million in revenues from Little Ferry by agreeing not to adjust the tentative tuition charges to certified costs as illustrated below.

Fiscal Year	Contractual Rate	Certified Rate	Regular Education Program				
			Number of Students	Total Based on Contractual Rate	Total Based on Certified Rate	Difference	
2014	\$ 11,500	\$ 12,446	327.3	\$ 3,763,950	\$ 4,073,576	\$ 309,626	
2015	11,615	12,625	329.3	3,824,820	4,157,413	332,593	
2016	11,731	13,483	336.6	3,948,655	4,538,378	589,723	
2017	12,625	13,203	337.0	4,254,625	4,449,411	194,786	
2018	13,483	14,322	330.6	4,457,480	4,734,853	277,373	
					Total	\$ 1,704,101	

Fiscal years 2014-2018 certified cost adjustments of tentative tuition charges for special education students would have resulted in an additional \$8,000 in revenue from Little Ferry.

Resource Room

According to N.J.A.C. 6A:23A-17.1(e)8, a receiving district may charge for students receiving services in a resource room an additional amount up to the actual direct instructional cost per student for such services calculated on an hourly basis. NJDOE Policy Bulletin 100-1 issued by the Office of School Facilities and Finance contains an example of the required calculation. Resource room revenue averaged \$269,000 for fiscal years 2014 through 2018. In the past, the district calculated the actual resource room cost for the purpose of arriving at the resource room rate. Resource room rates for fiscal year 2018 and fiscal year 2019 contracts were based on an agreed upon arbitrary cost of \$5,000 per student. We were unable to calculate the resource room hourly rates and verify the adequacy of rates charged for fiscal years 2014 through 2018 because we were not provided with the information necessary to perform the calculation.

Recommendation

We recommend the district negotiate contracts that include tuition rates adjustment to certified rates. We also recommend the district adhere to the Policy Bulletin 100-1 to calculate resource room rates.



Rental of School Facilities

The district entered into a 10-year lease for the rental of two school facilities and obtained a loan for the renovation of one of the facilities without proper approvals.

Lease

On June 10, 2014, the district entered into a 10-year lease, commencing on July 1, 2014. The cost of the 10-year lease was \$6.1 million. The lease was for the rental of two church-owned facilities referred to as the “old” and “new” buildings formerly used as parochial elementary schools. The lease gave the district an option to renew the contract for an additional 10 years.

Before the lease was executed, the district engaged a retired school administrator to perform a demographic study for the district at a cost of \$5,300. The demographic report, issued in May 2014, projected an increase of 213 students over a five-year period. The number of students during fiscal year 2019 was actually 125 less than the number of students during fiscal year 2014. A company specializing in school demographic studies, charged the district \$2,500 for a similar report three years later.

According to N.J.A.C. 6A:26-10.11(a), leases in excess of five years require a board of education to conduct a minimum of one public hearing prior to the adoption of a resolution, and the public hearing should be published not less than seven days prior to the hearing in at least one newspaper. There is no record that notice was published prior to the April 30, 2014 or June 25, 2014 board meetings when resolutions concerning the lease were voted upon. N.J.A.C. 6A:26-10.11(b) requires that the public hearing should provide taxpayers and other interested persons an opportunity to present to the district questions or other commentary with respect to the proposed lease, the estimated cost, and the proposed funding method. The contract was signed 14 days before the second board meeting approving the lease. In addition, any lease in excess of five years shall be approved by the Commissioner of Education and the Local Finance Board in the Department of Community Affairs (DCA) as required by N.J.S.A. 18A:20-4.2(e)(4). The lease was approved by the NJDOE on November 13, 2015, over a year after the lease was signed. The lease was not presented to the DCA for approval.

Procurement Issues

After basic maintenance work (painting, cleaning, etc.) was completed during the summer of 2014, the district started utilizing the “new” building in September 2014. To furnish the facility, in September 2014 and October 2014, the district purchased \$33,900 worth of furniture from a local vendor, a relative of one of the district administrators at the time. The district issued three purchase orders for the purchases and allegedly obtained three sets of quotes from three different “vendors” including the selected vendor. Upon closer examination, we determined the following:

- All quotes, including those from the selected vendor, appeared to have the same format.

- The quotes submitted by two other “vendors” were both dated August 12, 2014.
- The quotes from the selected vendor and the second vendor had the same fax number listed. The address and the phone number listed for the second vendor were the same as another company owned by the selected vendor.
- The quotes from the third vendor included the home address of an individual who worked for the selected vendor. The quotes also included two different area codes for the same phone number (one is the area code for the state of Massachusetts).
- We were unable to find any evidence proving the existence of the other two vendors.

The district purchased an additional \$58,000 of furniture from the selected vendor utilizing a loan from the church. There were no quotes/bids obtained for this purchase as required by N.J.S.A. 18A:18A-3. Payments included a \$5,000 charge for transportation. The vendor's business address was 5.7 miles from the leased buildings and the warehouse used by the owner is located 0.6 mile from the leased facilities.

Loan

The “old” building required extensive renovation before the district started utilizing it in September 2015. According to N.J.A.C. 6A:26-3.11, capital projects shall be reviewed by the NJDOE to determine whether the facility, if it is to house students, conforms to educational adequacy requirements per N.J.A.C. 6A:26-5.2. The “old” building was occupied by students before capital project approval was granted by the NJDOE on November 9, 2015. Per the NJDOE, the district could advance the project, which was already completed, subject to the DCA review for Uniform Construction Code compliance. The project was not approved by the DCA and all permits from the local building department were obtained after the fact.

The district renovated the building at its own expense using funds borrowed from the archdiocese. On November 10, 2014, the Interim Superintendent sent a letter to the church which was a confirmation of his discussion that morning with a representative of the church. The letter stated that in order to bring the “old” building up to code, an update to the electrical and ventilation system, replacement of staircases, and various other projects were needed to receive NJDOE approval. The district’s supervisor of buildings and grounds estimated the project would cost in excess of \$500,000. The letter further stated the archdiocese agreed to use only vendors approved by the district, contract directly with those vendors, and the district would pay for the entire project plus negotiated interest based on the five-year term. We noted there was another version of this letter estimating the project cost at \$250,000. According to the district’s supervisor of buildings and grounds, he had not been asked to provide an estimate for these letters. The emails exchanged between the district and the church showed the estimate was prepared on November 19, 2014 and estimated the renovation costs to be \$750,000. This ultimately became the amount of the “line of credit” from the archdiocese.

The loan was not approved by the board nor was there a formal/legal loan document. In addition to the aforementioned letter, the only other loan related document was a July 24, 2015 letter from the church to the Assistant Superintendent setting the total amount of the loan at \$607,000 to be paid over the course of five years beginning in the third year of the lease. Various November 2015 emails between the church and the former Business Administrator established the final amount to be repaid to the church at \$629,754. All payments to the vendors had been made by the church prior to the July 24, 2015 letter to the Assistant Superintendent.

According to the district, vendors for the renovation project were mostly selected from a list of qualified vendors provided by a cooperative procurement management provider contracted by the district; however, 18 of 22 vendors used could not be traced to the cooperative procurement management provider's qualified primary vendor list or to state contracts. Two vendors, according to the district, were personally selected by the former administrator. The district was also given the church's credit card number. Nearly \$36,000 in payments were made with the credit card. The former administrator admitted the above vendor selection and payment arrangement process was set in place to circumvent statutory procurement requirements and to expedite the process.

Settlement

In July 2016, the district engaged a legal counsel to review matters concerning the lease. In the letter dated July 12, 2016, the legal counsel concluded that due to the non-compliance with the administrative code and statute, the lease was unlawfully executed and should be amended and restated. Ultimately, the district decided it could accommodate the students being schooled at the church facilities within the existing schools and terminated the lease.

After the district informed the church that it would terminate the lease, the church filed a complaint on August 24, 2017 with the Superior Court of New Jersey seeking a declaratory judgement confirming the enforceability of the lease as well as ejectment of the district from the leased premises. In addition, the church sought to recover money it advanced the district via the loan.

In March 2018, the following settlement was reached between the district and the church:

- The district agreed to pay the church \$400,000 in complete settlement of the lawsuit and all obligations under the lease (the check was issued on March 6, 2018).
- The church agreed the district could occupy the premises until June 30, 2018.
- The district agreed to leave behind all electronic, dry erase boards and the computers attached to the electronic boards. The smart boards were purchased in March 2015 and April 2015 for approximately \$85,000.
- The district was to remove all window air conditioners but leave the wall-installed ones.

- The district agreed to fix two bathrooms identified by the church and any damage caused before the district vacated the premises.

There was no district or church prepared inventory documenting ownership of items. When the district began moving-out in June 2018, the items to be removed by the district were labeled based on individual recollections of district and church employees.

Ultimately, the district paid approximately \$2.7 million to the church during the four years of the contract. The district completed an elementary school conversion project creating additional classrooms in the existing schools at the cost of nearly \$1.2 million and currently all students are accommodated within the existing district schools.

Recommendation

We recommend the district adhere to the provisions of N.J.A.C. 6A:26 when leasing facilities. We also recommend the district adhere to the provisions of N.J.S.A. 18A:18A when procuring goods and services and give greater scrutiny and transparency before purchasing from related parties.



Payroll and Personnel

Payments to employees should be in accordance with governing statutes or employee contracts.

Payroll expenditures for fiscal years 2016-2018 averaged \$23.5 million for an average of 432 full-time, part-time, and substitute employees. During our review of payroll expenditures, we noted the following:

- In June 2018 and August 2018, a retired employee was paid a total of \$16,883.70 for unused vacation leave the employee was not entitled to receive. The district attempted to recover the payment after we brought it to management's attention.
- During fiscal year 2016, the board approved salary adjustments for two of nine administrators exceeding the contractual three-percent raise. By the time both individuals retired (December 2015 and December 2017), the compounded effect of the raise was \$7,733 in additional compensation the administrators should have not received. One of the administrators was a relative of a board member who voted to approve his salary.
- We did not receive documentation to support a stipend totaling \$1,925 paid to an employee for teaching a sixth-period.

- An employee received a health benefits opt-out payment for family coverage when the employee was only eligible to receive an opt-out payment for single coverage. The overpayment was \$500.
- The accuracy of the busing overtime rate paid could not be verified because it was not contractually defined or board-approved. There are no written contracts defining compensation and benefits for transportation staff. These employees included 3 full-time bus drivers, 10 part-time bus drivers, and 10 bus aides.

Recommendation

We recommend all employee payments be properly supported and approved. In addition, we recommend the district develop a written contract for busing employees that define their compensation and benefits.



School Board Conflicts of Interest

Board members do not always adhere to the School Ethics Act when performing their duties.

According to the School Ethics Act (N.J.S.A. 18A:12-21), board members and administrators must avoid conduct which is in violation of their public trust or which creates justifiable impression among the public that such trust is being violated (N.J.S.A. 18A:12-22(a)). In addition, the board members are prohibited from attempting to use their position to secure unwarranted privileges, advantages, or employment for themselves, members of their immediate family, or others (N.J.S.A. 18A:12-24(b)). The Doctrine of Necessity is a mechanism whereby a board of education can lawfully vote on a matter despite not having sufficient non-conflicted members to effectuate a quorum. It can only be invoked when a quorum of the board has conflicts of interest that prevent the board from acting on a matter required to be voted upon such as a collective bargaining agreement or superintendent evaluation.

During calendar year 2017, the district's board of trustees had 10 members including a representative from the Little Ferry Board of Education who was prohibited from voting on collective bargaining agreements or employment agreements. During the year, the district had to invoke the Doctrine of Necessity four times when voting on matters concerning administrative issues, because five to six board members had between one to four relatives working for the district.

We noted instances of board members voting on personnel and financial issues concerning relatives or employers when they should have recused themselves. For example, in August 2019, after an extensive search/interview process, a seven-member committee (specifically established for the process) selected, via a secret ballot, the top three candidates for a school principal. An offer was made to an outside candidate who received the most committee votes. When presented for the board approval, the board tabled the resolution. As a result, the selected candidate

withdrew from consideration, and weeks before commencement of a new school year the district had to start the process again. One of the three top candidates selected through the original process, who was not offered the position, was an individual in a relationship with a board member. That board member voted to table the resolution. The district's attorney had previously recommended the board member recuse himself from participating in or voting on any matter affecting the employee.

Recommendation

We recommend board members adhere to the School Ethics Act when performing their duties.



Criminal History Background Checks

The district should ensure that each prospective employee completes the required criminal history background check.

P.L. 1986, c.116 (18A:6-7.1), enacted on October 8, 1986, requires that all prospective employees of a facility, center, school, or school system, under the supervision of the NJDOE and board of education which cares for, or is involved in the education of children under the age of 18, whose job duties include regular contact with pupils, must submit to a criminal history background check as a condition of employment. Employees hired prior to the enactment of 18A:6-7.1 are not subject to the background check requirement.

Upon receipt of the criminal history record information for an applicant from the Federal Bureau of Investigation and the New Jersey State Police, the Office of Student Protection within the NJDOE notifies the applicant and the employing board of the applicant's qualification or disqualification for employment.

An amendment to P.L. 1986, c.116 (N.J.S.A. 18A:6-7.3), enacted on December 12, 2002, requires the New Jersey State Police, State Bureau of Identification to immediately forward to the Commissioner of Education any information which the bureau receives on a charge pending against a qualified employee. If the charge is for crimes or offenses enumerated in section 1 of P.L.1986, c.116 (C.18A:6-7.1), the employing board of education should be notified and take appropriate action. If the pending charge results in conviction, the employee should not be eligible for continued employment. The requirements were implemented by the New Jersey State Police and the NJDOE on February 21, 2003. Fingerprints of job applicants are retained, flagged, and coded for the NJDOE by the State Bureau of Identification. Electronic notification of a disqualifying crime or offense is immediately disseminated to the NJDOE. The Office of Student Protection, and consequently an employing board, would not be notified of disqualifying crimes and offenses committed by employees who submitted to a background check prior to February 21, 2003 because there was no requirement that the State Bureau of Identification retain the civil fingerprints. The Office of Student Protection relies on the news media to learn of any arrest of those employees.

We obtained, from the NJDOE, a list of individuals cleared to work for the district. This list was compared to current employees. We found the district failed to ensure the proper background check process was completed for 28 of the 315 individuals meeting the criteria. Twenty-seven of these individuals had completed criminal history background checks for another employing district (17 prior to February 21, 2003); however, if an arrest for a subsequent disqualifying offense occurred, the district may not have been notified. One individual did not complete a criminal history background check for any district.

In addition, the district contracted with a home care agency to provide in-school nursing care. According to the contract, the agency was responsible to maintain updated criminal history records. The district had not requested the proof of the background checks for the review until we inquired. We found that of 10 nurses utilized by the district during the months of June 2018 through November 2018, three had not completed a criminal history background check prior to beginning their assignments with the district. Two of the three nurses subsequently submitted to background checks in September 2018 and June 2019. We were not provided with evidence of the third nurse's background check since she no longer worked for the home care agency.

Recommendation

We recommend the district ensure that any individual that may come in contact with students complete the criminal history background check process prior to commencement of work.



Home Instruction

The district should adhere to governing regulations for administration of its home instruction program.

N.J.A.C. 6A:16.1.3 defines home instruction as providing one-to-one, small-group, or online instruction in a student's place of residence or other appropriate setting due to a health condition, need for treatment, court order, or exclusion from general education for conduct or safety reasons. During fiscal year 2018 and fiscal year 2019, home instruction expenditures totaled \$55,200 and \$76,503, respectively. Home instructors were compensated at \$54.19 and \$55.27 per hour during fiscal year 2018 and fiscal year 2019, respectively.

We judgmentally selected 17 payments for home instruction based on dollar amount. The sample was expanded to include an additional 27 payments based on the test results. We ultimately tested 44 fiscal year 2018 through fiscal year 2019 payments. The 44 payments were to 27 teachers for services to 28 students and totaled \$40,721.

Our review of the sampled payments disclosed the following issues.

- 16 of the 28 students received home instruction as a form of after school extra help with reading, functional life skills, social skills, driver's education, or applied behavioral analysis learning. This extra help does not meet the definition of home instruction and appeared to be

tutoring which is the financial responsibility of a student's parent or guardian.

- School instruction for 13 of the 28 students (13 of the 16 above) occurred in district's schools contrary to the provisions of the administrative codes (N.J.A.C. 6A:16-10.1(a) and N.J.A.C. 6A:16-10.2(a)) which stipulate home instruction should be provided at the student's home or other suitable out-of-school setting.
- We received verbal confirmation the instruction is being done after school at the school or at home. Home instruction timesheets have the address of the student, but not the location of where the instruction occurred. To enhance monitoring, timesheets should include the location of the instruction.
- Three instructors were teacher assistants and did not possess teaching certification required by N.J.A.C. 6A:16-10.1(c) to provide home instruction. In addition, one of the non-certified teachers is a relative of the director of special services, who approved his timesheets for home instruction.
- Per district sign-in records and home instruction timesheets, three teachers started their home instruction 10 to 30 minutes before their contracted scheduled end-of-day time of 3:00 p.m. or 3:30 p.m., including one teacher on 17 occasions.

Recommendation

We recommend the district adhere to the governing regulations and ensure proper oversight and monitoring of the program. We also recommend timesheets be modified to identify the location of the home instruction.



Health Benefits

Monthly billings for health benefits are not reviewed timely to verify enrollment eligibility.

The district provides health (including prescription) and dental coverage to its eligible employees and their dependents through the State Health Benefits Program and one private dental insurance company. The district is required to notify plan administrators of any changes in coverage due to hiring, terminations, or changes in coverage status. We compared selected July 2015 through September 2018 billing lists to the district payroll check registers and found the following:

- Four former employees and one employee on leave without pay were not removed from medical coverage for periods of time ranging from 3 to 13 months after separation or leave without pay. As of June 30, 2018 the noted errors amounted to \$42,283 in premiums.

- Two former employees and two employees on leave without pay were not removed from dental benefits for periods of time ranging from 20 to 28 months. As of June 1, 2019 the errors amounted to \$8,837 in premiums.
- The district receives monthly itemized bills but only reviews them every six months.

Recommendation

We recommend the district ensure procedures are in place for the timely removal of ineligible individuals from the district's benefit plans. The procedure should require monthly review of billings for enrollment eligibility.



Procurement

The district's procurement process needs to be strengthened.

The purpose of internal control is to provide adequate checks and balances to ensure financial transactions are properly authorized and recorded and to provide a means to safeguard assets. An individual responsible for processing purchases was able to create purchase orders, process payments, enter vendors into the computerized accounting system, and print checks. Failure to segregate these duties increase the risk of unauthorized transactions and decreases the ability to detect errors timely. We judgmentally selected 54 payments based on dollar amount and/or vendor name for testing totaling \$247,000 and noted non-compliance with N.J.S.A. 18A:18A (Public School Contracts Law) and district policies, including purchase orders created after the date of service, publicly advertised bids or competitive quotes not obtained when required, transactions not supported by proper documentation such as a purchase order, invoice or written agreement, and business registrations not obtained from the vendors.

The district participates in a cooperative procurement management program. At the beginning of each fiscal year, the board approves a list of vendors. We traced all 74 vendors approved during the July 23, 2018 board meeting to the database of vendors selected and approved by the cooperative procurement program and found that 9 were not in the database. One of the nine vendors was paid a total of \$38,000 without obtaining the required quotes. There was also a list of 21 non-cooperative skilled trade vendors (including 4 state vendors) approved during the board meeting. There was no evidence that 17 vendors were properly selected. The district paid a total of \$111,500 ranging between \$690 and \$64,000 to 10 of the 17 vendors with no evidence that proper quotes/bids were obtained.

We also noted, the same retired administrator who prepared demographic studies for the district (see Rental of School Facilities - *Lease*) was engaged during 2015 to assist in the review of the Business Office operations and was paid \$10,000 for a 20-page report. The report included vague recommendations such as: "Meet individually and collectively with the Central Office team to get an assessment of the current perception of the Business Office...", "Understand the

“expectations” of you and your position...”, “Assume a more active leadership role...”, “Take control of your own destiny. Don’t wait for things to happen”, etc.

Recommendation

We recommend the district review and strengthen internal controls over the procurement process to ensure proper segregation of duties and compliance with applicable laws. We further recommend the district consider the potential benefit when procuring services.



Information System Security

Reassigning duties of the system administrator and maintaining formal security policies and procedures over the administration of access to its computer resources will strengthen controls over the computerized system.

Lack of formal policies and procedures weaken the internal control environment throughout the district. According to the Federal Information System Controls Audit Manual, access controls should provide reasonable assurance that access to computer resources is reasonable and restricted to authorized individuals. Policies and procedures should be designed for administering these controls to ensure user accountability and password confidentiality and to provide only the access necessary to perform assigned job responsibilities. The district utilizes budgetary accounting and personnel modules of the System 3000 (system). Our review of the system noted system security was not adequately administered as evidenced by the following conditions:

- There are no written internal policies or procedures in place for the system users.
- Users were required to create a password upon receiving access to the system, however there is no time restriction built into the system or administrative controls requiring users to periodically change their passwords.
- The system administrator should be independent of any transaction process. According to district management, users were added to the budgetary accounting module of the system and their level of access was assigned by the district’s Interim Business Administrator and accounts payable employee (now retired) who served as the system administrators. When reviewing the system users per the September 14, 2018 permissions report, we noted that six additional users had system administrator privileges including the State Monitor, Superintendent, IT Director, a retired accountant and two former Business Administrators. Seven of the eight users with system administrative privileges had full system access to the accounting module.
- We noted six users (including a former employee) with multiple log-in IDs. Two users never used one of their IDs to access the system.

- A periodic monitoring of individual access to computer resources was not performed. At the time of our review, four users had not accessed the system for more than 100 days, including two users that never accessed the system. In addition, access to the system was not terminated for five users upon their separation from district employment.
- Daily system backups are not always performed. We reviewed the backup listing for January 2018 through September 2018 and noted accounting data for approximately 73 business days was backed-up from one to seven days later, and personnel data for approximately 40 business days was backed-up from one to three days later.

Recommendation

We recommend the district reassign duties of the system administrator to someone independent of any transaction process. We further recommend the district develop and maintain security policies and procedures to ensure user accountability, password confidentiality, privilege suitability, timely termination of system access upon transfer or termination, as well as timely back-up of the System 3000 data.



Observations

Employee Contributions for Health Benefits

The district is facing a \$3.6 million liability to its employees because of the decisions it made concerning employee contributions for health benefits.

P.L. 2011 Chapter 78 (Chapter 78), concerning public employee pension and health care benefits became effective June 28, 2011. Section 41a of Chapter 78 required local board of education employees to contribute toward the cost of health care benefits coverage for the employee and any dependents. Those employed on the day contributions commenced were to pay one-fourth of the amount of contributions during the first year in which the contributions were effective, one-half during the second year, three-fourths during the third year, and the full contribution amount during the fourth year (referred to as Tier 1 through Tier 4 levels of contribution). Employees hired on or after June 28, 2011, the effective day of Chapter 78, were required to contribute at the highest percentage level (year/Tier 4). Under no circumstances was the amount payable by any employee allowed to be less than one-and-a-half percent of base salary. The contribution commenced, according to Section 41c of Chapter 78, upon the expiration of any applicable binding collective negotiations agreement in force or upon the effective date of P.L. 2011 Chapter 78 if such agreement had expired before the effective date. Once those employees were subjected to the contribution requirements, they were bound by the act until all affected employees were contributing at the full amount. After the full implementation, the contribution levels became part of the parties' collective negotiations according to Section 79 of Chapter 78.

The district implemented health benefit contributions under Chapter 78 in July 2011. It achieved full implementation of Chapter 78 during fiscal year 2015 (district employees contributed toward health benefits at year/Tier 4 level during the fiscal year). Starting July 1, 2015, the district lowered the contributions to one-and-a-half percent of an employee's base salary. The decision was made without any written documentation or board approval and was inconsistently applied to different employee groups. During fiscal year 2016, the district had three collective bargaining agreements in effect:

- A four-year (fiscal year 2015-2018) Ridgefield Park Education Association (RPEA) agreement for teachers, teacher assistants, custodians, and secretaries required employees covered under the agreement to contribute towards health benefits one-and-a-half percent of their salary or the minimum set forth by statute, code, or regulation. During the first year under the contract, the employees were to contribute at the year/Tier 4 level to achieve full implementation of Chapter 78 requirements.
- A three-year (fiscal year 2016-2018) Ridgefield Park Administrators Association (RPAA) agreement that included an outdated fringe benefits program article making reference to a medical plan no longer offered by the state. The terms of the article were also in violation of statutory requirements, and were inconsistent with the district's practice.
- A three-year (fiscal year 2016-2018) Ridgefield Park Supervisors' Association (RPSA) agreement that offered employees covered under the agreement the same benefits offered to employees under RPEA agreement. There was no specific language concerning contributions for health benefits included in the agreement.
- Language concerning health benefits contribution for unaffiliated employees was generally the same as for employees under the RPEA agreement.

Following the August 13, 2015 Public Employment Relations Commission's (PERC) decision in the Clementon Board of Education v Clementon Education Association (Clementon) case, the succeeding Superintendent notified RPEA in January 2016 that employees under the agreement would have their health insurance premium contributions increased back to Tier 4 levels under Chapter 78. The decision was made based on PERC's ruling in the Clementon case that employees under the multi-year agreement, who were completing their obligation under Chapter 78 during any year of the contract, were required to contribute at Tier 4 contributions level for the full term of the agreement (in the case of the RPEA employees during fiscal years 2015-2018) before the rates could be renegotiated.

RPEA member's contributions were increased to Tier 4 levels in January 2016, employees under the RPAA agreement (administrators) contributed one-and-a-half percent of their salary towards health benefits until December 2016, and employees under RPSA agreement (supervisors) until January 2016. During 2017 however, based on multiple agreements, RPSA contribution rates were reverted back and forth between one-and-a-half percent of their salary and Tier 4 levels. Unaffiliated employees contributed one-and-a-half percent of their salary towards health benefits until June 2016.

Following the Superior Court of New Jersey Appellate Division dismissal of PERC's ruling in the Clementon case appeal, in December 2016, the Superintendent notified RPEA that the district was required to correct contributions employees made between July 1, 2015 and January 5, 2016 starting in fiscal year 2018. The decision was validated by PERC's ruling in the district's favor when PERC concluded the district's analysis in the Clementon case was correct and applied to the dispute between the district and RPEA.

The district engaged their independent auditors, at a cost of \$18,000, to perform calculations of the underpaid contributions. The auditors calculated six months of retroactive contributions for employees who were still active during fiscal year 2018 and excluded RPSA employees (supervisors). The calculated contributions were \$310,620. We recalculated the contributions for all affected employees including those no longer employed by the district during fiscal year 2018 and the supervisors. We also calculated additional contributions for employees who continued contributing one-and-a-half percent of their salary toward health benefits beyond January 2016. Our calculation of the underpaid contributions was \$171,776 more than calculated by the auditors. As of June 30, 2019 the district collected \$291,327 in the retroactive contributions.

However, in December 2017, RPEA filed an appeal from PERC's decision with the Appellate Division and in May 2019 received favorable decision. The court overturned PERC's decision and remanded to PERC to fashion and implement an appropriate remedial mechanism within 60-days to refund RPEA members for all of their health insurance contributions exceeding one-and-a-half percent of their salaries for the pay periods covering July 1, 2015 through June 30, 2018. Subsequently, the district has filed a motion for stay (which was denied), and plans to file a motion for reconsideration with the Appellate Division, and if necessary, file a petition for certification to the New Jersey Supreme Court. If the district legal actions are unsuccessful, we estimate the district would owe the RPEA employees \$3.6 million in contribution reimbursements. If the district prevails, the unrecovered contributions will amount to \$171,776 as stated in the prior paragraph. As of January 2019, the district's legal fees related to the case were \$34,900.

While the issue developed, the district negotiated a new agreement with RPEA and could have renegotiated the contribution rate for health benefits. The agreement language concerning contribution level was not changed from the previous contract.

We obtained data accumulated by the New Jersey School Boards Association (NJSBA) concerning health benefits contribution rates negotiated by some other school districts after Chapter 78 expired. According to the NJSBA website, the status quo for negotiations purposes is the fully phased-in employee contributions, and first, and most importantly, the fully phased-in premium sharing rates are the basis for future negotiations. The starting point is not the amount set forth in the contract prior to the law. The website states that when the parties are negotiating the next collective negotiations agreement to be executed after Chapter 78 sunsets, the board and the union are legally permitted, but in no way obligated, to negotiate some other cost-sharing arrangement. Reducing employee contributions below those required under Chapter 78 requires the approval of the board. The website adds "In considering the inevitable proposal from the union to reduce employee health insurance contributions, the board should think long and hard."

Based on the data for 137 school districts provided to us by NJSBA, only one district negotiated health benefits contributions at one-and-a-half percent of employee's salary, however that district offered one of the least expensive plans to its employees. Sixty-seven of 137 districts negotiated health benefits contributions that were a variation of Tier 4 levels.

Extended Before and Aftercare Program

Worktime of district employees who are also employed by the extended before and aftercare program may overlap.

The district leases classroom space throughout the three elementary schools and junior-senior high school to a third-party entity for a fee of \$2,000 per month during the school months and \$1,000 per month during the summer. The space (13 classrooms throughout the elementary schools during fiscal year 2019) is utilized by the not-for-profit entity to provide an extended before and aftercare program to 84 students enrolled in the before-care and 150 students enrolled in the aftercare program. The program has been offered since September 2012, and it is operated by an individual who is also a district employee. That individual also offers a similar program at Little Ferry School District. During fiscal year 2017, the program description on the Little Ferry School District website informed parents they could return their aftercare application to the address that houses the Ridgefield Park School District special services office.

In addition, from fiscal year 2013 through fiscal year 2019 approximately 13 to 20 district employees worked for the program. The aftercare program starts at 3:00 p.m., however, the contractual workday for most of the district employees who also work for the program ends at 3:30 p.m. It had been a common practice to permit district employees to leave 30 minutes earlier for the aftercare program causing the time overlap. There was also a lack of detailed district-wide sign-in/sign-out sheets that would require an employee to indicate his/her arrival and departure time, thereby making it impossible to verify employee working hours. In September 2016, at the direction of a newly assigned state monitor, memorandums were issued by the then Superintendent to all school principals; one implementing weekly detailed sign-in/sign-out sheets that have to be initialed, scanned, and forwarded to the personnel office, and another prohibiting employees from leaving before the end of their contractual workday to work at the aftercare program.

We reviewed 2018 fourth-quarter sign-in/sign-out sheets for all 18 district employees who were also employed by the aftercare program and found 6 employees signed-out 15 to 30 minutes before the end of their work day on 2 to 7 occasions for a total of 24 days in the quarter. In addition, 3 of the 6 employees also received extra compensation from the district for after-hours home instruction and coaching. According to the owner of the program, the district employees do not arrive to work for the aftercare program before their scheduled departure time from the district. Following multiple requests, we were provided with a limited number of requested timesheets for the aftercare program and were only able to verify 2 of 6 employees worked for the aftercare program on 3 out of 24 days in question, and 2 employees had an overlap (2 hours) between home instruction and the aftercare program.

During our review of the sign-in/sign-out sheets, we also noted approximately nine special services employees (none were employed by the aftercare entity for the current year) are not required to fill out a sign-in/sign-out sheet. Per the district, these employees rotate between district school facilities. We also noted dates on the sign-in/sign-out sheets do not include the year which could pose issues when archived.



RIDGEFIELD PARK PUBLIC SCHOOLS
712 Lincoln Avenue
Ridgefield Park, NJ 07446
Phone: (201) 641-0800

Dr. Angela Bender
Superintendent of Schools

Mr. James T. Tevis
Interim School Business Administrator

February 4, 2020

Mr. David J. Kaschak
Assistant State Auditor
New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
PO Box 067
Trenton, NJ 08625-0067

Via certified and regular mail

Dear Mr. Kaschak:

The Ridgefield Park Public Schools is in receipt of your audit report for the period covering July 1, 2015 to June 30, 2019. **This letter serves as a revision to the response the district initially sent dated January 15, 2020.**

The following revised responses clarify issues identified in the audit.

General Statement

Since the arrival of a State Monitor, the district has instituted new guidelines and procedures in order to strengthen the internal control process. The development of new protocols and the update to existing ones is an ongoing process. In an effort to make the district more efficient, we continue to identify and address potential compliance issues, such as the recommendations contained in your audit.

We recommend the district negotiate contracts that include tuition rate adjustment to certified rates. We also recommend the district adhere to the Policy Bulletin 100-1 to calculate resource room rates.

The audit documented that most tuition contracts with Little Ferry to receive their grades 9-12 students for fiscal years 2008-2018, annually capped tuition adjustments at \$100,000 instead of using certified tuition rate adjustments. For fiscal years 2014-2016 and 2018, this cap resulted in a loss in revenue to Ridgefield Park of 1.7 million dollars. It is important to note that this district attempted to remove through negotiations, the \$100,000 cap for the 2017-2018 school year, but was overruled at that time by the then Interim Executive Bergen County Superintendent. The 2019-2020 tuition contract to receive Little Ferry students stipulates that certified tuition rates, once calculated by the State, are to be used to calculate and charge all of the amount owed. The Little Ferry Board of Education disputes this clause and the contract remains unsigned. This contract issue was also forwarded by this district to the Interim Executive Bergen County Superintendent on August 20, 2019 and still remains unresolved. Because of the recent past loss of 1.7 million dollars in tuition adjustment revenue, it is imperative that this district no longer allow tuition contracts that do not stipulate certified tuition rate adjustments. These funds are critically needed to help the district to upgrade and maintain the high school facility, as well as its staffing, educational programs, and technology initiatives.

The 2016-2017 school year contract did not include a cap of any kind, but instead clearly stipulated that the certified tuition rates were to be used to calculate and charge all of the amount owed. This calculation resulted in an amount due to the Ridgefield Park Board of Education of \$251,541.71. This amount, which is being disputed by the Little Ferry Board of Education, was forwarded to the Interim Executive Bergen County Superintendent on August 20, 2019 and is still outstanding and due. The district will work collaboratively with the Little Ferry Board of Education to collect no later than by June 30, 2020, the 2016-2017 certified tuition adjustment amount due of \$251,541.71. If, however, the district is unsuccessful in recouping these funds, it is then prepared to initiate legal action to do so.

In 2018 a retired employee was paid a total of \$16,883.70 for unused vacation leave the employee was not entitled to receive.

The retired employee has agreed to reimburse the district for this unused vacation leave payout. These funds will be collected in full by June 30, 2020.

The accuracy of the busing overtime rate paid could not be verified because it was not contractually defined or board approved.

All bus driver overtime is now board approved on a monthly basis.

We recommend the district ensure that any individual that may come in contact with students complete the criminal history background check process prior to commencement of work.

The district is currently developing procedures for criminal history background checks to be performed on contracted individuals that may come in contact with students.

We recommend the district adhere to the governing regulations and ensure proper oversight and monitoring of the home instruction program. We also recommend timesheets be modified to identify the location of the home instruction.

The district now monitors sign-in/out records and home instruction timesheets to check that teachers do not overlap home instruction start times. A new procedure has also been instituted mandating that the first teacher to arrive on any given day for a home instruction session (only to find the student unavailable), must now contact the next teacher for said student so that the district does not continue to pay for no-show sessions that day.

We recommend the district ensure procedures are in place for the timely removal of ineligible individuals from the district's benefit plans.

A procedure is being instituted which requires a check and balance to ensure that health benefit enrollment eligibility, changes and removal of terminated employees is effected in a timely manner.

We recommend the district review and strengthen internal controls over the procurement process to ensure proper segregation of duties and compliance with applicable laws.

A comprehensive purchasing manual has been developed for all staff to follow which will also be posted to the districts website.

Reassigning duties of the system administrator and maintaining formal security policies and procedures over the administration of access to its computer resources will strengthen controls over the computerized system.

System administration privileges were corrected and these duties reassigned prior to the completion of the state audit teams field work.

Worktime of district employees who are also employed by the extended before and aftercare program may overlap.

The district now monitors sign-in/out records to check that teachers do not sign out before the end of their work day.

Sincerely yours,



Dr. Angela Bender
Superintendent of Schools

Cc: Mr. Wayne Demikoff, State Monitor
Mr. James Tevis, Interim School Business Administrator/Board Secretary