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OSC Audit of North Bergen School District Finds Weaknesses in Fiscal and Operating Practices, Identifies Opportunities for Cost Savings

TRENTON – State Comptroller Philip James Degnan today released a performance audit of the fiscal and operating practices at the North Bergen School District (District). The audit report finds weaknesses with certain District operating practices and identifies opportunities for the District to save on costs.

Office of the State Comptroller (OSC) auditors engaged the audit of the District in 2015. After a unanimous published decision by the New Jersey Appellate Court upheld OSC's authority to engage in the audit, auditors proceeded with their work in April 2016.

The audit found that the District lacks key internal controls for the management and administration of employee benefits and the processing of payments related to such benefits, failed to comply with the Public School Contracts Law (PSCL) and applicable regulations for certain procurements, and lacked appropriate processes for the administration and oversight of legal services that resulted in overpayments.

Specifically, the audit report found that the District: (1) lacked formal policies and procedures and appropriate controls for the administration of employee leave entitlement and payment processing for various employee benefits; (2) failed to properly monitor and oversee its legal services engagements and performed little to no review of the monthly invoices for such services resulting in duplicate payments and payment of improperly invoiced amounts; (3) violated multiple state laws and regulations in their procurement of certain services/vendors; and (4) obtained services from a public relations and communications consultant without a formal contract or agreement prior to the School Board's authorization for such services.

The District's lack of sufficient controls over fiscal and operating practices resulted in several examples of waste, overspending and mismanagement, including:

- The District failed to follow its own policies when it improperly paid an employee \$19,469 for unused vacation time that was not contemplated by that employee's collective bargaining agreement.
- OSC was not able to verify the accuracy of \$14,854 in District insurance opt-out payments made to a sample of five employees, because the District did not provide any supporting documentation for those payments.
- The District lacked appropriate monitoring and oversight of the legal services it contracted for and failed to properly review and approve legal invoices, resulting in overpayments.
- The District paid \$297,496 to three vendors for services performed without prior School Board authorization, as required by the PSCL.

To improve fiscal and operational procedures, and improve the District's compliance with the law, OSC's report makes 15 recommendations that will enhance monitoring and oversight by the District. State Comptroller Degnan emphasized that the District's weaknesses must be addressed. "The North Bergen School District's current fiscal policies and procedures expose important resources to waste and abuse," Degnan said. "By implementing the recommendations found in this report, the District will have an opportunity to focus their limited funds where they are needed most—the students of the North Bergen School District."

OSC is an independent state agency that conducts audits and investigations of government agencies throughout New Jersey. The Office also reviews certain government contracts and works to detect and prevent Medicaid Fraud. The Office strives to enhance the efficiency and transparency of government and to ensure that public funds are spent effectively and efficiently.

Suspected government mismanagement or fraud can be reported to OSC by calling 1-855-OSC-TIPS (1-855-672-8477) or via email at comptrollertips@osc.nj.gov.

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