

District Finances Corrective Action Plan

In compliance with New Jersey Administrative Code 6A:23A-16.10(b)2, the following Corrective Action Plan has been prepared to address a projected year-end deficit in the FY24 June 30, 2024 General Fund balance.

i. The projected or actual amount of the fund deficit:

The District Administration, in conjunction with the Board of Trustees, our external auditor, and the New Jersey Department of Education (NJDOE) have identified a budgetary shortfall in the current year (2023-2024) of approximately \$7 million dollars. Items such as overstated revenues, under-budgeted expenditures and omissions have resulted in a significant cash-flow shortage in this fiscal year.

ii. A detailed list of the line items and the actual or projected deficit amount comprising the overall fund deficit:

Key lines from Cash Flow Analysis and Budget Projection included below:

Key Revenue Shortfalls 23-24 (Fund 10):

Line#	Title	Account	23-24 Budget	Projected Deficit
260	Rents and Royalties	10-1910	898,410	(487,739)
300	Unrestricted Miscellaneous Revenues	10-1XXX	1,336,033	(1,190,567)
360	Fines and Forfeits	10-1XXX	227,725	(227,725)
680	Transfers from Other Funds	10-5200	248,876	(248,876)
	Total Revenue Shortfall in Key Over-Estimated Lines		2,711,044	(2,154,907)

Key Expenditure Overages 23-24 (General Fund 11 / Fund 12):

Line#	Title	Account	2023-24 Budget	2023-24 Projected	Projected Shortfall
29100	Tuition to Priv.Sch. for the Disabled W/I State	11-000-100-566	6,357,656	7,260,676	(903,020)
45040	Legal Services	11-000-230-331	150,000	232,172	(82,172)
45060	Audit Fees	11-000-230-332	50,000	100,000	(50,000)
49140	Insurance	11-000-262-520	400,000	470,028	(70,028)
49200	Energy (Natural Gas)	11-000-262-621	205,200	223,578	(18,378)
49220	Energy (Electricity)	11-000-262-622	712,500	872,710	(160,210)
52040	Salaries for Pupil Trans(Bet Home & Sch)-Sp Ed	11-000-270-161	1,111,708	1,537,139	(425,431)
52320	Contract. Serv. (Sp Ed Stds)-Vendors	11-000-270-514	525,000	813,519	(288,519)
71020	Social Security Contributions	11-000-291-220	830,000	949,852	(119,852)
71060	Other Retirement Contributions - PERS	11-000-291-241	1,203,644	1,244,358	(40,714)
71180	Health Benefits	11-000-291-270	11,737,036	14,667,090	(2,930,054)
Expenditure Overages in Key Lines					(5,088,378)

Known Expenditures Not Built into 23-24 Budget (Fund 11 / Fund 12 / Fund 30):

Annual Student Chromebook Refresh	\$233,394
Portions of NHS Media Center Project (Furniture, Asbestos)	\$532,991
South Bergen Jointure Classes (In-District)	\$1,356,098

iii. The conditions producing the deficit:

Based on the information known to the Board of Education and District administration at this time, there are multiple conditions that have led to a 23-24 deficit. Within the past year it has become clear that inaccurate budgeting practices over the past several years, along with the ongoing reduction in fund balances, has amplified the rising costs of healthcare, special education, and transportation that are affecting educational systems over the past decade. However, this acute condition was primarily rooted in incorrect budget creation. As indicated above, a large amount of revenue expectations were misstated, and key expenditures were under budgeted with reserve lines being utilized for necessary unbudgeted items and overages in under-budgeted lines. The trend in misstated revenues has continued (and amplified) over the previous two budget cycles. Throughout this fiscal year assurances had been provided that there were sufficient funds to carry out the needs of the district. Conversations were had to implement programs with the understanding of appropriate funds being available.

Although Fund Balance and Capital/Maintenance Reserve funds have been depleted over time, the rationale of additional capital projects and other Board-requested projects had been used to explain declining trends in balances.

Prior to the release of the 2022-23 audit report on February 7, 2024, the full severity of the district's financial position had been minimized to the Superintendent, staff of the Business Office, Finance Committee and Board of Trustees. The results of that audit report showed a reduction of Fund Balance from June 30th 2022 of \$9,014,534 to \$2,239,806 on June 30, 2023.

The district auditors were asked by the Superintendent and Finance Committee of Board of Trustees to create a 2023-2024 mid-year status report, with end of the year and cash flow projections. Independently, the Superintendent directed internal personnel to complete the same tasks.

On March 7, 2024 the District received the mid-year budget projection and cash flow analysis, which was reviewed by internal staff. This information was verified on March 13th and identified both a 2023-2024 deficit and cash flow shortfall. This review verified specific cash flow reports, identifying held checks, outstanding invoices, expected revenues, and projected expenses for the remainder of the year, which agreed with the auditors projections.

Specific examples of budgeting errors over the past several years:
 (Data based on 3/7/24 LVB projection and 22-23/23-24 submitted budgets)

Overstated revenue numbers in each of the years from 20-21 to 23-24.

Examples include:

Line#	Title	Account	2022-23 Budget	2022-23 Actual	2023-24 Budget	2023-24 Projected
260	Rents and Royalties	10-1910	600,000	14,160	898,410	410,671
300	Unrestricted Miscellaneous Revenues	10-1XXX	775,278	208,074	1,336,033	145,466
360	Fines and Forfeits	10-1XXX	227,725	0	227,725	0
680	Transfers from Other Funds	10-5200	0	0	248,876	0

Understated expenditure numbers, including failure to appropriate for predictable increases in costs, and/or appropriating **less** than the prior year budget or actual costs for items that would be expected to stay flat or increase.

Examples include:

Line#	Title	Account	2022-23 Budget	2022-23 Actual	2023-24 Budget	2023-24 Projected
29100	Tuition to Priv.Sch. for the Disabled W/I State	11-000-100-566	4,927,809	6,412,859	6,357,656	7,260,676
52040	Salaries for Pupil Trans(Bet Home & Sch)-Sp Ed	11-000-270-161	1,192,252	1,395,120	1,111,708	1,537,139
52320	Contract. Serv. (Sp Ed Stds)-Vendors	11-000-270-514	600,000	909,763	525,000	813,519
71020	Social Security Contributions	11-000-291-220	830,000	948,585	830,000	949,852
71180	Health Benefits	11-000-291-270	12,442,780	13,663,360	11,737,036	14,667,090

iv. The corrective actions taken or to be taken to correct or prevent the deficit and dates or projected dates of such actions:

Corrective actions as outlined below include re-establishing appropriate budgetary and business processes and practices in the district’s business office, creating a SY 2024-25 school year budget that is appropriately reflective of available revenues, reducing planned expenditures to appropriately match revenues, and planning for shifts to repay the advance of state aid.

The district will review and revise business office practices implementing safeguards including the use of an independent outside auditing firm that will provide in office oversight and accountability. In addition to the business administrator certifying the budget, secretary’s report, bills, and transfers, the district will utilize an independent accounting firm to review these items monthly.

The Board Finance Committee will consult with outside experts to develop a budget calendar, submission guidelines, approval process, who will report directly to the Superintendent and Finance Committee. The Superintendent will create a formal process for business office staff to escalate concerns when they feel direct attention is needed. Additionally the district will create a fiscal oversight and advisory committee to provide necessary controls, and report directly to the Superintendent and the Finance Committee.

Finding	Recommendation	Method of Implementation	Person Responsible for Implementation	Planned Completion Date of Implementation
Deficit in SY 2023-24 Budget (Shortfall in Revenue)	Apply for emergency funding from state/local sources for 23-24 budget	Work with County ECS and ECBA to identify deficit and pending options Work with NJDOE to secure funding sources	Superintendent Board of Trustees Interim BA	Advance on SY 2023-24 State Aid on March 22nd. Ongoing NJ State funding process

Finding	Recommendation	Method of Implementation	Person Responsible for Implementation	Planned Completion Date of Implementation
Deficit in SY 2023-24 Budget (Appropriations Exceeded)	Eliminate all non-mandatory expenditures in remainder of 23-24 budget	Freezing Budget Eliminating Professional Development Freezing Non-Essential Hiring Eliminating Non-Essential Overtime Downsizing Non-Instructional Aides	Superintendent	10/20/23 - Budget Supplies Frozen February/March 2023 - All non-essential expenditures ceased Ongoing
Incorrect projection of revenue sources in budget preparation process	Use correct, audited revenue projections, and all available funding sources for 24-25 budget	Verification of Revenues with district auditors, County BA	Superintendent Business Office Staff	3/15/24 - 3/20/24
Incorrect projection of expenditures for certain major line items in budget preparation process	Use zero based budgeting to actualize needs of expenditures to build appropriate 24-25 budget, reducing all possible costs	Line by line appropriations of expenditures based on needs of SY 2024-25	Superintendent Business Office Staff District Administration	3/15/24 - 3/20/24 Preliminary Budget Prep and submission 5/7/24 Public Budget Meeting 5/14/24 Final Budget Adoption
Inadequate development and management of budget by chief financial officer	Suspend pending completion of investigation and inquiries	Paid administrative leave pending resolution	Superintendent Legal Counsel	3/14/2024

Finding	Recommendation	Method of Implementation	Person Responsible for Implementation	Planned Completion Date of Implementation
Lack of transparency in reporting budgetary status to Superintendent and Board of Education	Create a budgetary calendar and process, including regular reporting	Create a zero-based budgeting process Establish a regular review process with all stakeholders	Superintendent Interim BA Board of Trustees Independent Auditors/ Accountants	7/1/2024
Rising costs impacting budget creation	Assess all service providers and collective bargaining agreements for efficiencies and cost savings	RFP all service providers. Discuss alternatives with collective bargaining units	Board of Trustees Superintendent Interim BA Collective Bargaining Units Legal Counsel	4/1/2024 - ongoing
Lack of communication from Business Office staff to Superintendent and Board of Education	Establish clear channels of communication between Business Office staff and the Superintendent and board Finance Committee	Identify and construct process for reporting Meet with Business Office staff to discuss process, schedule regular meetings with staff	Superintendent Interim BA Board of Trustees Independent Auditors/ Accountants	7/1/2024

Finding	Recommendation	Method of Implementation	Person Responsible for Implementation	Planned Completion Date of Implementation
<p>Inadequate processes and procedures in business office surrounding accounting and reporting practices</p>	<p>Partner with an independent accounting firm, to verify and report on accounting status of business office operations</p> <p>Require an independent accounting firm to review the preliminary budget as prepared by the business office, monthly expenditures</p> <p>Ensure internal accounting software accurately reflect the appropriate accounts for which invoices/bills are to be charged</p>	<p>Utilize independent accountants to review and update Standard Operating Procedures for different roles in the business office</p> <p>Employ independent accountants to verify and certify accounting practices</p> <p>Ensure internal accounting software mirrors adopted budget, and items are being routed appropriately</p> <p>Train all district staff involved with purchasing, contracts, etc on the proper workflow to comply with NJ Public Contract Law</p>	<p>Superintendent</p> <p>Interim BA</p> <p>Board of Trustees</p> <p>Independent Auditors/ Accountants</p>	<p>7/1/2024</p>
<p>Lack of Superintendent and Board oversight in budgeting process and monitoring</p>	<p>Reformat Finance Committee meetings to include independent accountant and auditors direct reporting</p> <p>Create an Oversight Committee</p>	<p>Create a board oversight committee to receive critical business office reporting to discuss with Superintendent and Finance Committee</p>	<p>Board of Trustees</p> <p>Superintendent</p> <p>Interim BA</p> <p>Business Office</p>	<p>7/1/2024</p>

Finding	Recommendation	Method of Implementation	Person Responsible for Implementation	Planned Completion Date of Implementation
Rising costs of Healthcare	Consider alternative Healthcare plans and options	Investigate options with health care plans Investigate options with health care brokers Discuss options with collective bargaining unions	Board of Trustees Superintendent Health Care Advisors Collective Bargaining Units Board Attorney	7/1/2024
Rising Costs for Special Education Program	Evaluate current out-of-district placements for both academic and cost considerations Consider migration of Paraprofessional staff from Contracted and In-District to completely Contracted (for savings on Benefits, FICA, and PERS costs) Build General Education structures to support students reducing the need for Special Education driven strategies	Audit out of district placements Investigate privatization of paraprofessionals, and other related staff for cost savings Meet with collective bargaining units Continue to implement NJMTSS for building general education tiered interventions for general education support	Special Services Department Superintendent Interim BA Assistant Superintendent of Curriculum and Instruction Director of Student Supports Collective Bargaining Units Legal Counsel	9/1/2024 and ongoing evaluations of placements

Finding	Recommendation	Method of Implementation	Person Responsible for Implementation	Planned Completion Date of Implementation
Rising Costs for Transportation	Complete a cost/benefit analysis to privatizing transportation	Investigate privatization of transportation Meet with collective bargaining units	Board of Trustees Superintendent Collective Bargaining Units Board Attorney	7/1/2024
Requirement to maintain student programming throughout fiscal stress	Identify areas of programming to reduce	Conduct reduction in force consistent with maintaining critical academic and extracurricular programming Transition elementary schedule to be more efficient and utilize resources better; discuss with EAN collective bargaining unit Restructure district coordinators to include teaching component; discuss with NAA bargaining unit	Board of Trustees Superintendent Interim BA Assistant Superintendent of Curriculum and Instruction Director of Student Supports District Administration Collective Bargaining Units Legal Counsel	7/1/2024