

Nutley Board of Education

Forensic review of financial operations



**KNOW
GREATER
VALUE**

Fiscal years ended June 30, 2021–2024
Report presented October 26, 2026
Richard J. Corcoran III, CPA/ABV
PKF O'Connor Davies Advisory, LLC

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Where are we
now?



Major Findings



Budgeting 101



Results for
2022/2023 and
2023/2024



Procurement
Process



Questions

Where are we today (Fiscal Year 2026/2027)

- Three budgets since the \$9 million advance on state aid in 2023/2024.
- 2027/2028 Budget preparation begins in November 2026 and presented to public April/May 2027.
- Budget cuts in 2025/2026 first full year of operations with State Monitor and new Business Administrator totaled \$4,610,000 primarily in through salaries and benefits (approximately 12 positions) and service and software contracts.
- Budget cuts in 2024/2025 (prepared during budget crisis Winter/Spring 2024) totaled \$6,700,000 primarily through salaries and benefits (approximately 30 positions).
- Since 2023/2024 approximately \$11,310,000 through salaries and benefits of 42 positions cut from budget. While dealing with rising health costs and reduction in state aid.

Key findings

Budget weaknesses depleted reserves and increased reliance on state assistance.

\$6.774 million	Reported decrease in General Fund balance in FY2022/23. Discussed with Former Business Office, and the Administration starting in June 2023 through audit presentation in February 2024. Full Board became aware in Fall of 2023.
\$9 million	Advance of future state aid received in FY2023/24. Approximately \$7.8 million needed for immediate use and balance of advance to provide contingency resources if needed.
Control gaps	The report identifies weaknesses in procurement documentation, encumbrances and financial communication.

Scope and evidence

Review period	FY2020/21 through FY2023/24, with historical financial comparisons from FY2016/17 and selected later updates.
Procedures	Financial records, vendor files, emails and interviews. The engagement followed SSFS No. 1 and provided no audit assurance.
Limitations	Flood damage destroyed some vendor files. Former Business Administrator did not participate in interviews nor did Spruce Industries.

Budgeting 101

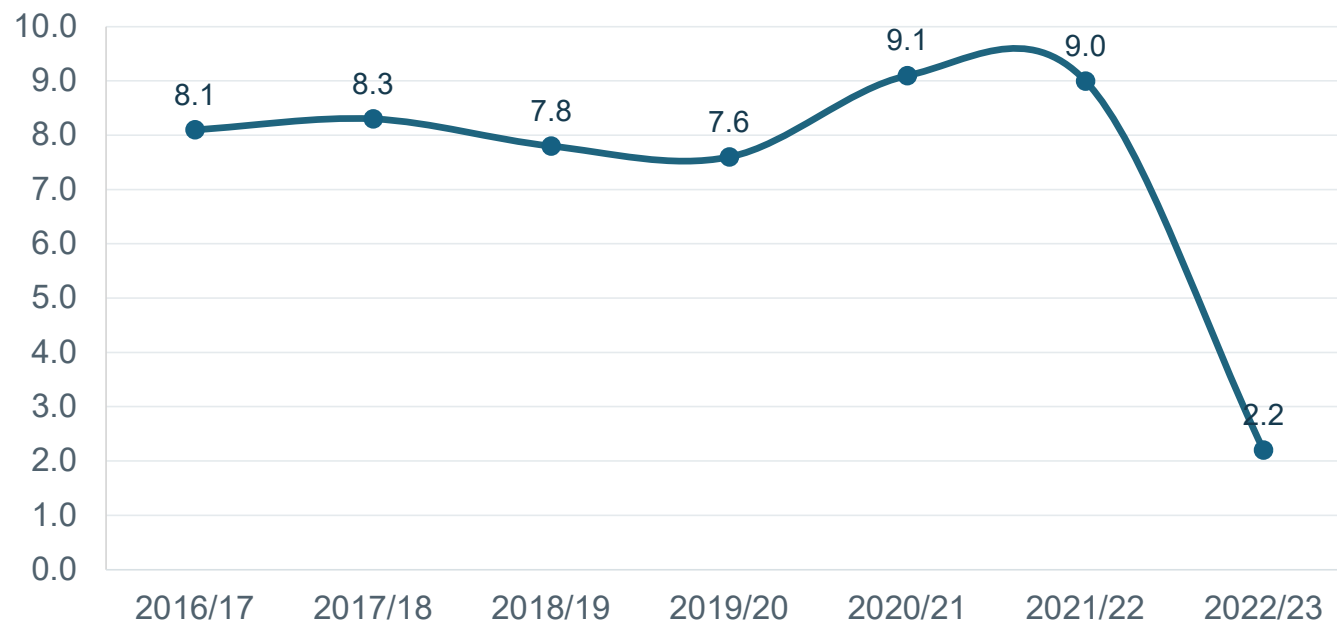
- Estimated dates/deadlines for 2023/2024 Budget adoption/approval.
- March 2, 2023, state aid notices issued to districts (revenue)
- March 20, 2023, itemized budget submitted to Executive County Superintendent.
- April 20, 2023, last day for approval by Executive County Superintendent and then advertisement allowed. Budget must be published by District four (4) days prior to hearing.
- Between April 24 – May 8, 2023, public hearing on budget to be held.
- May 15, 2023, deadline for adoption.

Budgeting 101 continued

- Revenue must equal Expenditures
 - 2023/2024 Budget presented and approved prior to end of the 2022/2023 school.
 - 2023/2024 Budget adopted prior to audit beginning for 2022/2023.
 - Revenue may include the use of prior years savings (aka fund balance) to balance the budget.
 - If Fund Balance is used to balance budget and not “regenerated” during the year equal to or greater than what was used a negative trend begins.
- Good budgeting:
 - Underbudget revenues and collect more.
 - Overbudget expenditures and expended less.
 - Bad Budgeting (2022/2023 and 2023/2024)
 - Overbudget revenues and collect less.
 - Underbudget expenditures and spend more.

General Fund balance fell sharply in FY2022/23

General Fund balance, \$ millions (approximate)

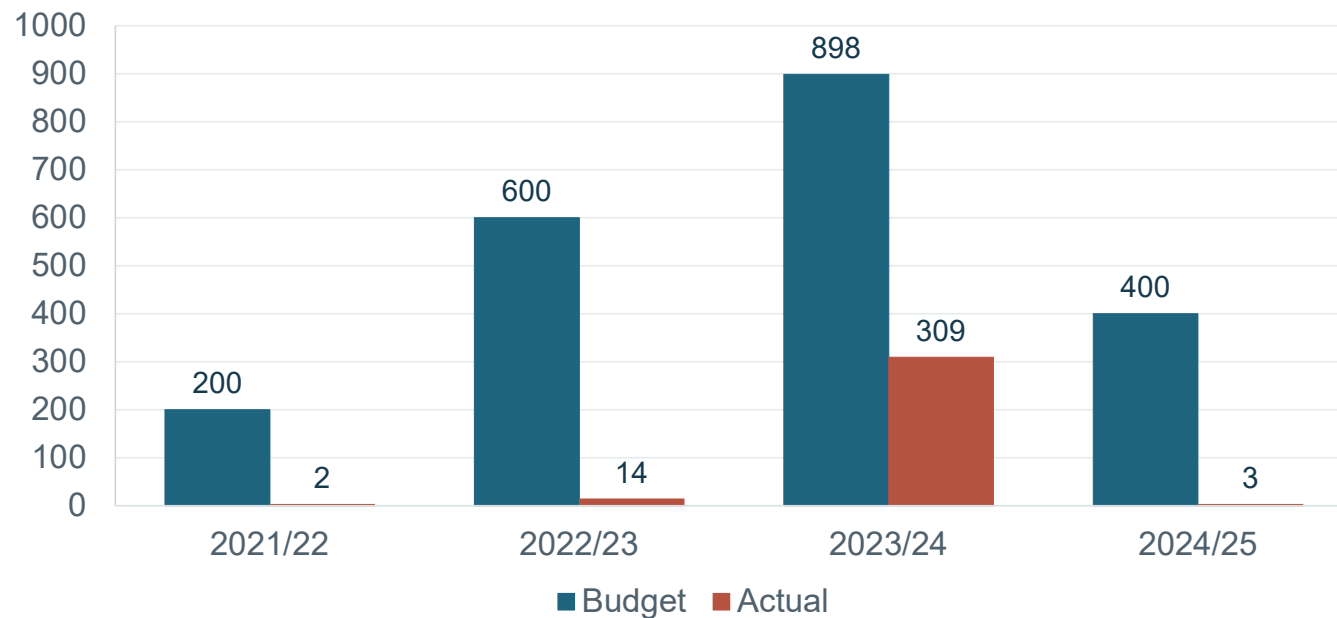


**\$6.774m
decline**

The report attributes the FY2022/23 decline to additional fund balance use, capital transfers and expenditures exceeding revenue.

Rents and royalties repeatedly missed budget

Rents and royalties, \$ thousands

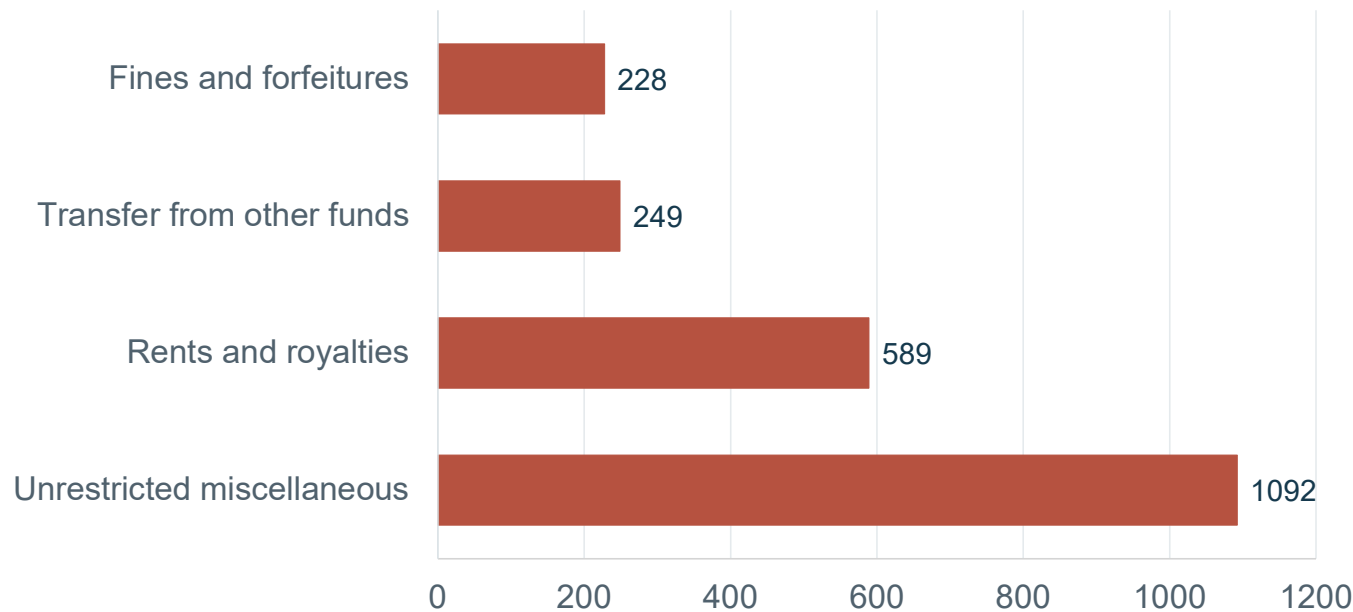


**\$1.770m
shortfall**

Across these four years, the report's table shows \$2.098 million budgeted and \$328,381 collected.

FY2023/24 revenue gaps concentrated in local items

Selected shortfalls versus final budget, \$ thousands

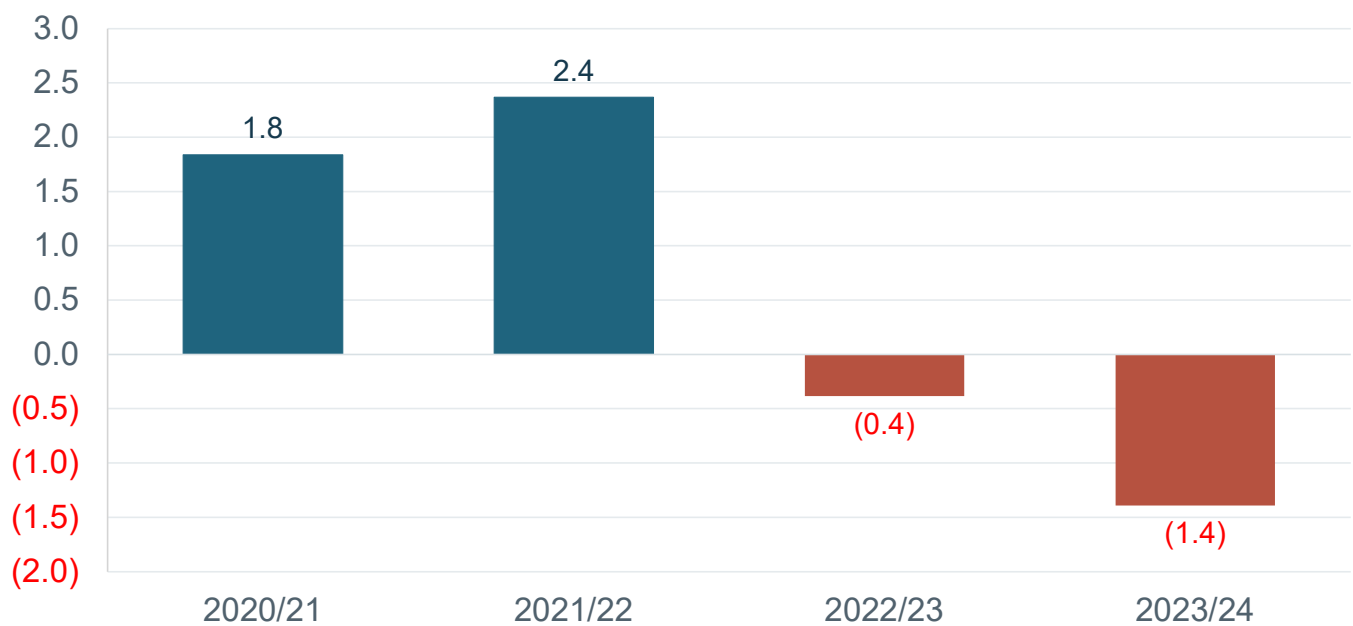


**\$2.158m
shortfall**

Combined shortfall in these four selected lines. Other positive variances partially offset the gaps.

Total revenue shifted from surplus to shortfall

Total Fund 10 revenue variance, \$ millions

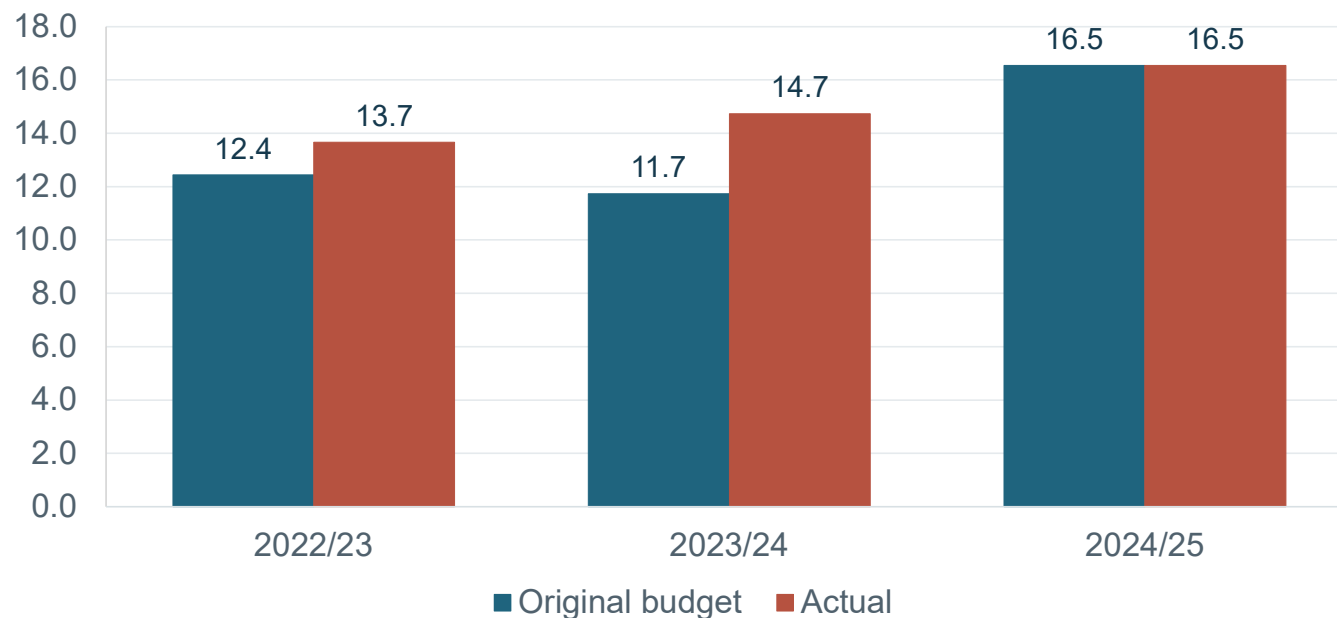


**\$1.391m
shortfall**

FY2023/24 revenue shortfall before the \$9 million state-aid advance. Extraordinary aid helped support earlier positive results.

Health insurance exceeded budget in FY2023/24

Health insurance, \$ millions, net of employee contributions

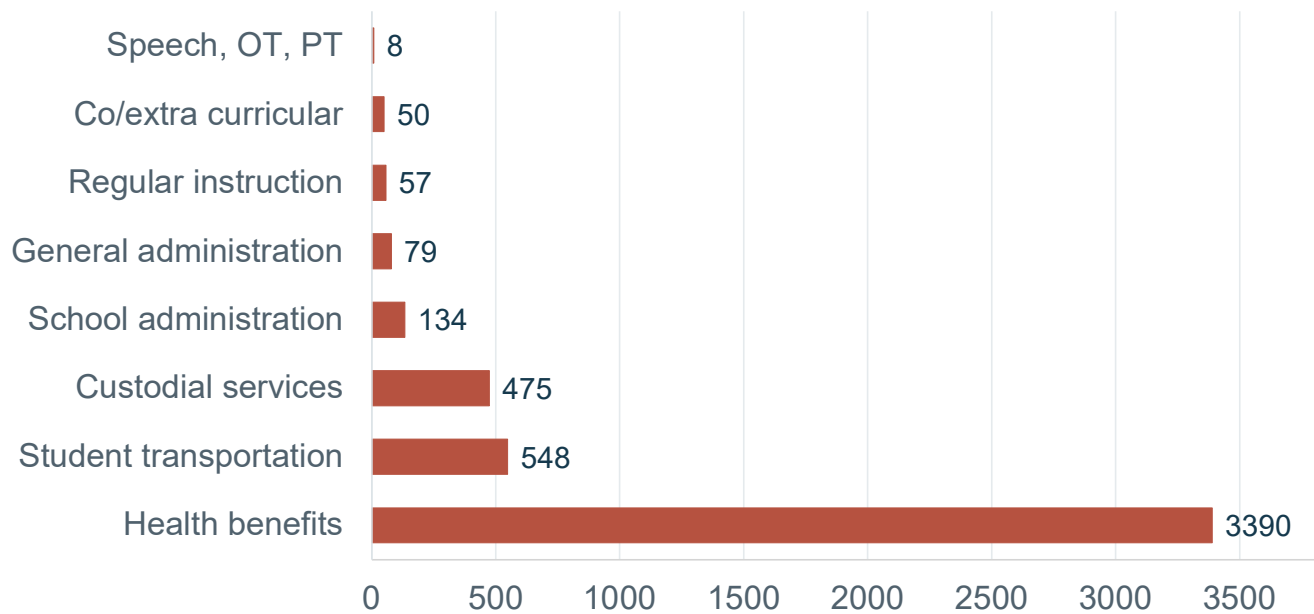


**\$2.995m
shortfall**

FY2023/24 actual health-insurance cost exceeded the original budget by approximately 25.5%. Insurance Broker provided Former Business Office with projected insurance costs for 2023/2024 which were ignored by Business Office

Health benefits led reported FY2023/24 overruns

Selected overruns versus final budget, \$ thousands

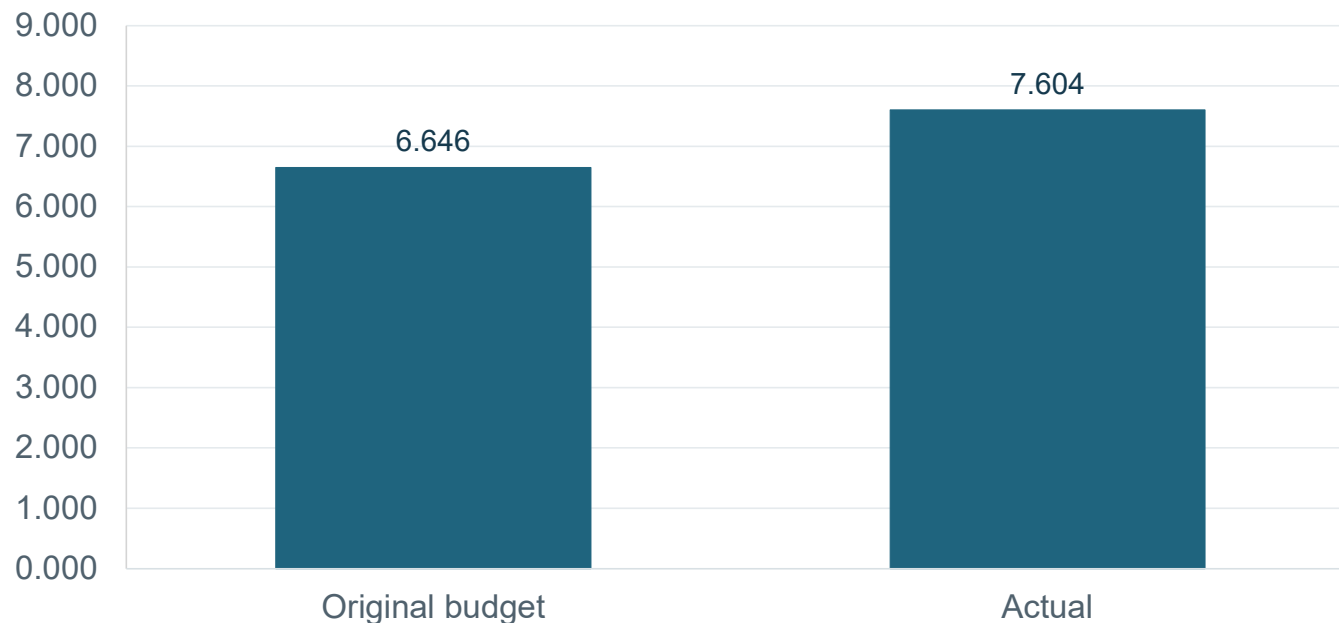


**\$4.741m
shortfall**

Total of the eight categories listed in the report. The report states that additional categories also exceeded budget.

Out-of-district tuition exceeded the original budget

FY2023/24 out-of-district tuition, \$ millions



\$958,000 gap

Staff supplied enrollment and cost estimates during budgeting. Cost estimated ignored by Former Business Office. Disagreement involved number of students.

The \$9 million advance created future repayment obligations

Funding

FY2023/24 advance of future state aid. The report concludes the District would otherwise have run out of money that year.

Repayment

Minimum annual installments of \$1 million. First payment recorded in FY2025/26. No FY2024/25 payment.

Monitoring

The report states no interest was charged or accrued. The District also bears the State Monitor's cost, approximately \$195,000 to the report date which is over a three-year period.

Procurement files lacked key supporting evidence

Before commitment	No requisitions or funds-availability certificates found in the review. The report identifies failures in encumbrance and budget-transfer practices.
Contract support	Reviewed files lacked formal contracts, insurance evidence, business registrations and required quotation support.
Purchasing exceptions	Support for “10% below state contract” claims and cooperative purchasing eligibility was missing, inconsistent or unverifiable.

2022/2023 Budget Shortfall not communicated timely to full Board because of Former Business Office

Warning record

Prior auditors documented meetings from June through November 2023. The report also identifies a June 2023 draft showing severe fund balance depletion.

Unresolved delivery

The investigators could not determine whether the draft compilation reached its addressee or what discussions followed.

Report assessment

The former Business Administrator did not convey the growing financial alarm and the concerns with the adopted 23/24 Budget until too late in the process and withheld information.

Recommendations focus on budget discipline and accountability

Budget and oversight

Use supportable revenue estimates, corroborate major cost projections and provide recurring corrective-action updates to the Board.

Procurement capability

Improve contract and invoice support, train additional Qualified Purchasing Agents and establish periodic competition for professional services.

People and records

Align duties and titles, address concentration of responsibilities, document related-party relationships and protect records from flooding.

Board transparency

Present audit findings publicly, consider public finance meetings and provide substantive financial training and an anonymous reporting channel.

Reported progress and matters requiring follow-up

Progress in the report	FY2024/25 major expenditure categories were below budget. Current management and the State Monitor reported procurement improvements.
Later revenue update	FY2025/26 rents and royalties: \$300,000 budget and \$345,363 received (unaudited). FY2026/27 budget: \$385,000.
Board follow-up	Confirm completed corrective actions, track remaining deficiencies and reconcile source schedule inconsistencies before broader use.