Department of Education
State Aid and Grants-In-Aid

July 1, 1997 to October 15, 1998

Richard L. Fair
State Auditor
The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Education, State Aid and Grants-In-Aid for the period July 1, 1997 to October 15, 1998.

If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
November 13, 1998
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Department of Education  
State Aid and Grants-In-Aid

**Scope**


The prime responsibility of the Department of Education, State Aid is to administer and distribute state school aid. Beginning in fiscal year 1998, The Comprehensive Educational Improvement and Financing Act (NJSA 18A:7F) was implemented for the determination of state aid amounts for state school aid. The Comprehensive Educational Improvement and Financing Act (CEIFA) mandated that state aid amount determinations made for the 1997-1998 school year be final and not subsequently adjusted due to changes in pupil counts and equalized valuations.

The scope of the audit of state school aid determinations included in CEIFA was limited to the application of the funding formulas and the formula variables. Total state aid expenditures under CEIFA are $5.2 billion annually.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the agency's programs, were reasonable and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, 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.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and internal controls.

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

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the financial transactions included in our testing were related to the agency's programs, were reasonable and were recorded properly in the accounting systems. We also found that the CEIFA funding formulas and formula variables utilized by the Department of Education were proper.

We also found that the agency has resolved the applicable significant issue noted in our prior report. Funding adjustments for transportation aid due to pupil enrollments changes were restricted by the CEIFA during our audit period. Therefore, the use of pupil enrollment count adjustments reported in annual school district audit reports to adjust transportation aid funding was not applicable in this audit period.