Asbury Park Board of Education

October 1, 1997 to June 30, 1999
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 Asbury Park Board of Education for the period October 1, 1997 to June 30, 1999.

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

Peter M. Guilfoyle  
Assistant State Auditor  
December 27, 1999
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Asbury Park Board of Education

**Scope**

We have completed an audit of the Asbury Park Board of Education for the period October 1, 1997 to June 30, 1999. Our audit included salary expenditures made by the board for the 1997-1998 and 1998-1999 school years. The prime responsibility of the Asbury Park Board of Education is to provide a quality education to approximately 3,300 kindergarten to twelfth grade students. Salary expenditures totaled $23.8 million during fiscal year 1998 and $25.0 million during fiscal year 1999. Our scope excluded nonsalary expenditures due to three current or recently concluded reviews by external agencies. The three agencies were the Monmouth County Prosecutors Office, New Jersey Department of Education - Office of Fiscal Review and Improvement, and the Commissioner of the Department of Education Special Assistant.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the school district’s programs, were reasonable, and were recorded properly in the accounting system. This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in N.J.S.A. 18A:7F-6d.

**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, policies of the board and the Department of Education Comparative Spending Guide. Provisions that we considered significant were documented and compliance with these requirements was verified by interview and observation and through our samples of financial transactions. We reviewed financial trends and interviewed district personnel to obtain an understanding of the district’s 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.

Conclusions

We found the financial transactions included in our testing were related to the school district’s program, were reasonable and were properly recorded in their accounting system. However, we noted certain matters concerning internal controls and compliance with laws and regulations meriting management’s attention.

Auditee’s Response

At the December 16, 1999 meeting, the Board of Education received and reviewed the results of the audit conducted by your staff. As most of the recommendations were items which must be negotiated, there was no formal action and/or recommendation taken. The issue with respect to employee benefits is being monitored, so as to avoid a repeat scenario.

If the district plans to participate in a recreation, it will be included in the budget, as per the OLS recommendations.

Please communicate to your staff our thanks for the professional courtesy they exhibited during the audit.
The student to administrator ratio at Asbury Park is the highest in its operating category.

Student to Administrator Ratio

The Department of Education, using information supplied by the school districts, issues an annual Comparative Spending Guide (CSG) which allows officials and the public the opportunity to review and compare various components of a school district’s annual budget to other similar districts in the state. The 1998-1999 Comparative Spending Guide reports Asbury Park’s student to administrator ratio as 113 (students) to 1 (administrator). The district had the worst ratio, ranking 75th out of 75 schools in its operating category of 1801 to 3500 students. The average ratio for its operating category was 164 to 1, and the state’s average ratio for all K-12 districts was 171 to 1. Since Asbury Park School District (APSD) is classified as an Abbott District and receives parity aid, we developed a student to administrator ratio using 16 comparable Abbott districts. This ratio was 169 to 1. The APSD reported 30 administrative personnel. By using any one of the ratios noted above, the district’s administrative personnel staffing level would be between 20 and 21 positions. Hence, the APSD had between 9 and 10 administrative personnel above the average of a comparable district. If the APSD administrative staffing level was closer to the average of a comparable district, the APSD would have saved approximately $100,000 per position based on 1998-1999 salary and fringe benefit costs.

Recommendation

We recommend the Asbury Park Board of Education take appropriate action to bring its student to administrator ratio closer to that of comparable districts.
Vacation and Sick Leave Stipends

Cost savings can be realized by limiting retirement stipends.

Retiring administrative employees receive 100 percent of their unused sick days at a rate of $50 per day. Also, payment is received for unused vacation days accumulated during the current year plus a carry-forward amount of up to 90 days at the current daily rate of pay. The retirement of four employees at the end of the 1998-1999 school year cost the district $188,000. The cost of the unused sick and vacation pay for the four retired employees ranged from $4,000 to $23,000 and from $33,000 to $35,000, respectively. The State of New Jersey limits their employee retirement stipends for unused sick and vacation days. The state limits the maximum reimbursement for sick leave at retirement to $15,000. State policy for vacation leave is limited to any unused portion of the current year allowance plus a maximum carry forward of one year’s allowance at the current daily rate of pay. If the APSD had a policy similar to the state’s, the total cost of the stipends for the four retired employees would have been reduced from $188,000 to $96,000, a savings of $92,000.

The future liability for sick and vacation retirement stipends totals $900,000. If the limitations used by the state were applicable, the liability would be reduced $400,000.

Recommendation

We recommend the APSD negotiate further limits on sick and vacation retirement stipends in future collective bargaining agreements.
Cancellation of Health Benefits

Cost savings can be realized by timely cancellation of health benefits upon retirement or termination. The APSD is a member of the State Health Benefits Program (SHBP). Coverage under the SHBP is discontinued upon an employee’s retirement or termination. A review of monthly bills for health benefits found 29 former employees receiving coverage after their eligibility had ended. Coverage continued past the eligibility period due to either a lack of notification of the change in employment status or a lack of follow up after the initial notification was made to ensure timely removal from the SHBP. Premiums paid by the district for those former employees totaled $24,000.

Recommendation

We recommend the district seek reimbursement from the SHBP. Additionally, management should implement procedures which require timely notification of a change in employment status and a review of subsequent SHBP billings to ensure timely removal.

Summer Recreation Program

Asbury Park Board of Education funding of the City of Asbury Park Summer Recreation Program should be reviewed for appropriateness by the Department of Education.

Recommendation

The Asbury Park Board of Education paid the City of Asbury Park Recreation Commission $20,000, $35,000 and $35,000 in 1997, 1998 and 1999, respectively for contributions for the summer day camp run by the commission. None of the $90,000 paid was included in the school budgets. The authorization for the payments was based upon a resolution presented by and approved by the Asbury Park Board of Education. Our review of the summer camp agenda noted it appears to be completely recreational. Our review of the governing legislation noted no criteria to determine whether these payments were an allowable use of school funds.

We recommend that the Department of Education, as the oversight authority, review these transactions to determine if this was an allowable use of school funds. We also recommend that if the contributions are deemed allowable, that the APSD include these amounts in future budgets.