EXECUTIVE SUMMARY

TOWNSHIP OF LAKEWOOD SCHOOL DISTRICT

We found that financial transactions included in our testing were related to the school district’s programs; however, they were not always reasonable or properly recorded in the accounting systems. We found a lack of continuity in leadership in key administrative positions which interfered with the ability to establish and enforce internal controls. We found differences between board approval and expenditures recorded in the accounting system, state and federal grant programs lacking internal controls and proper oversight, numerous weaknesses related to the payroll and personnel functions, and other issues requiring corrective action. We also identified factors contributing to the projected general fund deficit as of June 30, 2014. The district has not fully resolved the significant issues noted in our prior report regarding segregation of duties, extra compensation monitoring, and employee contracts. We have referred certain issues to the Division of Criminal Justice. We also observed that transportation costs of the district could be reduced with the implementation of certain initiatives, and that other approved nonpublic school IDEA programs or services could potentially benefit a greater population of nonpublic school students with disabilities.

AUDIT HIGHLIGHTS

- The district’s independent financial statement auditors identified a projected budgetary general fund deficit of $5 million as of June 30, 2014. Increases in student transportation costs for public and nonpublic school students and special education tuition account for $2.6 million of this projected deficit. We found the inability to maintain continuity in leadership, nonpublic school population growth averaging 1,600 students per year, and minimal local tax levy increases over a four-year period also contribute to the deficit.

- State and federal grant program expenditures were made without adequate supporting documentation, for services not allowable under program regulations, for instruction that was scheduled but not attended by students, and for programs that did not meet minimum service requirements. This included the district’s SRCP contract with vendors to provide math, reading, and writing in a small classroom setting for students with disabilities at a cost of $60,000 per class. Based on our analysis, because of below-minimum attendance, four classes could have been merged into other classes, and four classes could have been canceled.

- In April 2012, the Lakewood Board of Education appointed a law firm as legal counsel by board resolution at a rate of $200 per hour. The resolution was made without public bidding as allowed by law since it is for professional services. The district could have potentially saved $204,000 in legal expenses if a proposal for these services had been issued. The district also has not yet adopted procedures that could reduce legal costs as required by administrative code.

- We observed student transportation system initiatives proposed to the board at various monthly meetings that would result in significant savings to the district. One of these initiatives would separately tier the bell times for the girls and boys nonpublic schools and could save the district up to $6.7 million annually. We also observed that Lakewood’s IDEA programs or services could potentially benefit a greater population of nonpublic school students with disabilities. Per the 2011-2012 IDEA applications, the $4 million received by Lakewood was the most nonpublic IDEA Basic funding in the state for which 426 of the 3,547 (12 percent) eligible students were served. In contrast, the next four most funded districts served 100 percent of the eligible students.

AUDITEE RESPONSE

The district generally concurs with our findings and recommendations.

For the complete audit report, click here.