EXECUTIVE SUMMARY

HUDSON COUNTY SCHOOLS OF TECHNOLOGY

We found the mid-year cut in fiscal year 2010 state aid of $1.0 million was the primary factor for the general fund deficits for fiscal years 2010 and 2011. The district did not make adjustments to school operations and thereby accepted the anticipated fiscal year 2010 deficit; however, the district was proactive in implementing cost-saving measures commencing with fiscal year 2011. In fiscal years 2012 and 2013, the reported fund balances were $1.7 million and $2.1 million, respectively. We found the district was efficient and effective in using school district funds except for its provision of other employee benefits and its payroll processing cost. We also found the financial transactions were related to the district’s programs, were reasonable, and were recorded properly in the accounting systems except for summer payment program employee overpayments and unrecorded year-end liability and an unidentified surplus in the payroll agency fund which merit management’s attention.

AUDIT HIGHLIGHTS

• Under state law, new employees and high level administrators are subject to a $15,000 unused sick leave payment cap upon retirement. However, the district continues to provide generous unused sick leave payments to its previously hired employees through current contracts. An employee may request accelerated retirement allowing the employee to be paid for all their accumulated sick days by remaining on the district’s payroll as an active employee through their retirement date. Although the employee is not physically working, the district generally does not fill this vacant position until the outgoing employee is “officially” retired.

• The district provides six-month sabbatical leaves to administrative and instructional employees. Prior to sabbatical leave, the employee is required to sign an agreement to ensure their return to work for at least two years. During fiscal years 2010 through 2014, there were no signed agreements and none of the sabbaticals resulted in the employee returning to work. Accelerated retirement (sick payment) followed immediately after the sabbatical leaves.

• The district provides a voluntary summer payment program to its 10-month employees. This program allows these employees to receive their annual salary over 24 bi-monthly payments instead of 20 bi-monthly payments. The four additional payments are provided beyond the end of the 10-month school year during the summer months of July and August. The district’s method does not properly record summer payments as an expense in the correct fiscal year. The district’s 10-month employees’ salary earnings and tax withholdings should be recorded over the course of the school year. We also found that the district miscalculated the bi-monthly payments for each of the last three school years, resulting in total overpayments of $83,000.

AUDITEE RESPONSE

The district generally concurs with our findings and recommendations.

For the complete audit report, click here.