



# State of New Jersey

DEPARTMENT OF EDUCATION  
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TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

DAVID C. HESPE  
Commissioner

May 11, 2016

Mrs. Rainie Roncoroni, Superintendent  
Lopatcong Township School District  
321 Stonehenge Drive  
Phillipsburg, NJ 08865-9411

Dear Mrs. Roncoroni:

SUBJECT: Lopatcong Township School District — Budget Deficit — OFAC Case #INV-038-15

The Department of Education, Office of Fiscal Accountability and Compliance (OFAC) has completed an investigation which alleged a possible budget deficit at the Lopatcong Township School District (District) during the 2014-2015 school year. As a result of the review, the OFAC has identified material issues of noncompliance with N.J.S.A. 18A:22-8.1 et seq. and N.J.A.C. 6A:23A-16.10 et seq. The issues of noncompliance are detailed in the attached Report of Examination. Please provide a copy to each board member.

Utilizing the process outlined in the attached "Procedures for LEA/Agency Response, Corrective Action Plan and Appeal Process," the Lopatcong Township School District is required, pursuant to N.J.A.C. 6A:23A-5.6, to publicly review and discuss the findings in this report at a public board meeting no later than 30 days after receipt of the report. Within 30 days of the public meeting, the board must adopt a resolution certifying that the findings were discussed in a public meeting, and approving a corrective action plan which addresses the issues raised in the undisputed findings and/or an appeal of any findings in dispute. A copy of the resolution and the approved corrective action plan and/or appeal must be sent to this office within 10 days of adoption by the board. Please direct your response to my attention.

Also, pursuant to N.J.A.C. 6A:23A-5.6(c), you must post the findings of the report and the board's corrective action plan on your District's website. Should you have any questions, please contact Thomas C. Martin, Manager, Investigations Unit, at (609) 633-9615.

Sincerely,

Robert J. Cicchino, Director  
Office of Fiscal Accountability and Compliance

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Attachments

c: Robert Bumpus  
Michael Yaple  
David Saenz  
Thomas C. Martin  
Rosalie S. Lamonte  
Frank Frangella

[www.nj.gov/education](http://www.nj.gov/education)

**STATE OF NEW JERSEY**  
**DEPARTMENT OF EDUCATION**  
**OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE**  
**INVESTIGATIONS UNIT**

**LOPATCONG TOWNSHIP SCHOOL DISTRICT**

**BUDGET DEFICIT**

**OFAC CASE #INV-038-15**

**REPORT OF EXAMINATION**

**MAY 2016**

## LOPATCONG TOWNSHIP SCHOOL DISTRICT BUDGET DEFICIT REVIEW

### INVESTIGATIVE SUMMARY

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) received notification from the Warren County Office of Education concerning a possible budget deficit at the Lopatcong Township School District (District) during the 2014-2015 school year. The information provided indicated the deficit was created due to the District under budgeting salary costs and related health benefits.

The OFAC initiated an investigation to determine the validity of the complaint. The investigators reviewed District Board of Education (Board) minutes, budget summaries, budget line transfers, budget adjustments and the 2015 Comprehensive Annual Financial Report (CAFR). The investigator also conferred with Michele McCann, District Business Administrator (BA), and Neil Cramer, Warren/Sussex Executive County BA. The information obtained during the OFAC review is detailed below.

### FINDINGS

**The District violated N.J.A.C. 6A:23A-16.10 (b)1.i, 1.ii, and (b)2.i, 2.ii, 2.iii, 2.iv by having a budget shortfall of \$14,226.00 in the General Fund for the 2014-2015 school year.**

The investigation disclosed the District ended the 2014-2015 school year with a deficit of \$14,226.00. According to the CAFR, the District had an operating deficit for the year of \$1,327,590.00 depleting available surplus from \$2,324,962.00 to \$997,372.00. Of the available surplus, \$1,011,598.00 had been reserved for the following year budget leaving a deficit in the operating fund balance of \$14,226.00. Under budgeting of salary costs (hiring new teachers) and related health benefits, created the deficit. The District also failed to notify, in a timely manner, the executive county superintendent of schools of the deficit and did not adopt at a public meeting an acceptable corrective action plan to eliminate the deficit within 30 days.

According to N.J.A.C. 6A:23A-16.10(b)1.i, 1.ii and (b)2.i, 2.ii, 2.iii, 2.iv *in part*; “A district board of education or charter school board of trustees incurring or projecting a year-end deficit on a budget basis in the general fund.... shall proceed in the following manner:” (b)1. “The district board of education or charter school board of trustees shall direct the chief school administrator, or charter school lead person, to notify the executive county superintendent of schools within two working days, of the following:” 1.i “The projected amount of the overexpenditure/deficit; and” 1.ii “The preliminary finding of the conditions that caused the projected or actual overexpenditure/deficit.” (b)2. “The district board of education or charter school board of trustees shall develop, and adopt at a public meeting, an acceptable corrective action plan to eliminate the projected/actual fund deficit within 30 days of the discovery of such fund deficit...”

**The District violated the provisions of N.J.S.A. 18A:22-8.1 and N.J.A.C. 6A:23A-16.10(c)1, (c)4 by not certifying there was no over-expenditure of funds and by certifying no line item transfers occurred between accounts.**

A review of the Board minutes from September 2014 through June 2015 disclosed the District BA did not certify monthly that no over-spending occurred. The same Board minutes reported no line transfers were completed. A review of the District’s Budget Adjustment Report showed numerous line item transfers during that time period. The transfers were required to be reported for Board approval.

N.J.S.A. 18A:22-8.1 - Transfer of funds, conditions. - “Except as otherwise provided pursuant to this section, whenever a school district desires to transfer amounts among line items and program categories, the transfers shall be by resolution of the board of education...”

N.J.A.C. 6A:23A-16.10(c)1, and (c)4; (c) “Each district board of education or charter school board of trustees shall ensure the following occurs at every regular district board of education or charter school board of trustees meeting:” (c)1. “The school business administrator/board secretary shall present to the district board of education or charter school board of trustees a report showing all transfers between line item accounts...” (c)4. “A district board of education or charter school board of trustees, after review of the school business administrator/board secretary’s and treasurers monthly financial reports and upon consultation with the appropriate school district or charter school officials, shall certify in the minutes of the board each month that no fund has been overexpended...”

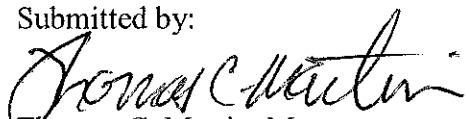
### CONCLUSION

Based upon a preponderance of evidence collected during the investigation, the investigator concluded the District violated the provisions of N.J.S.A. 18A:22-8.1 and N.J.A.C. 6A:23-16.10.

### RECOMMENDATION

The District is directed to submit a Corrective Action Plan to the OFAC indicating the measures it will implement to correct the deficiencies noted within the report.

Submitted by:

  
Thomas C. Martin, Manager  
Investigations Unit

Approved by:

  
Robert J. Cicchino, Director  
Office of Fiscal Accountability and Compliance

Investigators

Francesco Frangella  
Nancy Orsini

State of New Jersey  
Department of Education  
Office of Fiscal Accountability and Compliance

PROCEDURES FOR LEA/AGENCY RESPONSE  
CORRECTIVE ACTION PLAN AND APPEAL PROCESS

**Board of Education Response:**

Pursuant to N.J.A.C. 6A:23A-5.6, the following actions shall occur:

- (a) Any school district or county vocational school district that has been subject to an audit or investigation by the Department of Education, Office of Fiscal Accountability and Compliance (OFAC) shall discuss the findings of the audit or investigation at a public meeting of the district board of education no later than 30 days after receipt of the findings.
- (b) Within 30 days of the public meeting required in (a) above, the district board of education shall adopt a resolution certifying that the findings were discussed in a public board meeting and approving a corrective action plan to address the issues raised in the findings. The resolution shall be submitted to the OFAC within 10 days of adoption by the board of education.
- (c) The findings of the OFAC audit or investigation and the board of education's corrective action plan shall be posted on the district's web site, if one exists.

If the board of education disputes any of the findings of the audit or investigation, it may file a written appeal with the OFAC of any disputed finding(s) within 10 days of adoption of the resolution. Seeking an appeal of the findings does not preclude adherence to the provisions of (a), (b), and (c) listed above.

**Corrective Action Plan:**

The corrective action plan is to be used when the LEA/Agency is in agreement with any of the findings. To contest a finding, the appeal process must be used. After the appeal is settled, a corrective action plan must be filed for any finding upheld during the appeal process.

The corrective action plan must be prepared by completing the attached form. The LEA/Agency must submit the following information:

- Recommendation number
- Corrective action (approved by the board)
- Method of implementation
- Person responsible for implementation
- Completion date of implementation

If the corrective action plan is acceptable, a letter will be sent to the LEA/Agency indicating that it has been accepted.

If the corrective action plan is not acceptable, a letter will be sent to the LEA/Agency indicating whether further clarification is required or further action is necessary.

**Appeal Process:**

The appeal process is used to contest disputed findings.

Within 10 days of the board's adoption of the resolution approving an appeal of the findings of the audit or investigation, a written request by the LEA/Agency to review the disputed finding(s), recommendation(s), or questioned costs must be submitted to the OFAC Director. The Request for Appeal must indicate the finding(s) in question.

The Request for Appeal must be in writing and the LEA/Agency must present any supporting documentation for the appeal. Subsequent to the submission of the Request for Appeal, the OFAC Director will issue a written decision.

If the final determination made by the Director, is still unsatisfactory to the LEA/Agency, the LEA/Agency may file a Petition of Appeal pursuant to N.J.A.C. 6A:3-1.3.

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Attachment