ASSEMBLY, No. 2965

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 20, 2020

Sponsored by:
Assemblyman JAY WEBBER
District 26 (Essex, Morris and Passaic)

SYNOPSIS

Expands authority of State Auditor on performance audits of school districts; requires State Auditor to issue report on school district audits from previous five years; requires appropriation of $1.5 million to Office of State Auditor annually for such audits.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning the State Auditor and performance audits of school districts, and supplementing Title 18A of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

1. a. Notwithstanding the provisions of R.S.52:24-1, or any other law to the contrary, the Office of the State Auditor shall each year submit to the Governor, the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), the Commissioner of Education in the New Jersey Department of Education, the General Assembly Education Committee, or its successor, and the Senate Education Committee, or its successor, a compendium report summarizing school district audits by the office from the previous five years. The State Auditor shall also transmit the compendium report to the board of education of each school district in the State and post the report on the State Auditor's website.

The report shall include:

(1) a list of recommended best practices and safeguards for school districts to implement; and

(2) a standardized response form for school districts to submit, pursuant to the provisions of subsection b. of this section.

b. The board of education of each school district in the State shall submit a certified response to the State Auditor within 60 days following transmission of the compendium report by the State Auditor.

The response shall include:

(1) a statement regarding the level of compliance by the school district in relation to each of the State Auditor's recommendations;

(2) a summary of the steps taken by the school district to implement the State Auditor's recommended best practices and safeguards; and

(3) explanations from the school district concerning impediments in complying with the State Auditor's recommended best practices and safeguards.

c. The State Auditor, upon review of the certified responses from each school district, shall conduct a performance audit on any school district the State Auditor determines does not meet the best practices and safeguards outlined in the report. The performance audits shall be in addition to those required pursuant to subsection d. of section 6 of P.L.1996, c.138 (C.18A:7F-6) and section 4 of P.L.2006, c.15 (C.18A:7A-57).

d. The State Auditor shall also conduct performance audits on a random sampling of school districts each year, the sample size of which shall be at the discretion of the State Auditor.

e. Any school district that has made a willfully false or misleading statement in a certified response to the Office of the

State Auditor regarding the recommended best practices and safeguards as discovered by a performance audit shall reimburse the Office of the State Auditor the costs of conducting the performance audit. The State Auditor shall notify the school district of the costs of conducting the audit, and the school district, within 90 days of notification, shall reimburse the full cost of conducting the audit. The reimbursement shall be paid to the "School District Performance Audit Reimbursement Fund," pursuant to subsection f. of this section.

f. There is created in the Department of the Treasury a special non-lapsing fund to be known as the "School District Performance Audit Reimbursement Fund," which shall be a dedicated fund to serve as a depository for monies collected from school districts pursuant to subsection e. of this section. The fund shall be administered by the State Treasurer, in conjunction with the State Auditor, and all interest on monies in the fund shall be credited to the fund. The monies in the fund shall be appropriated annually to the Office of the State Auditor to be used exclusively for the implementation of this section and of subsection d. of section 6 of P.L.1996, c.138 (C.18A:7F-6).

g. There shall be appropriated annually from the State General Fund to the Office of the State Auditor the sum of $1,500,000 for the costs of implementing the performance audits required by this section and by subsection d. of section 6 of P.L.1996, c. 138 (C.18A:7F-6). The appropriation of $1,500,000 shall be reduced by the monies deposited in the "School District Performance Audit Reimbursement Fund," pursuant to the provisions of subsection f. of this section and appropriated in the same fiscal year.

2. This act shall take effect immediately.

STATEMENT

Repeated performance audits of school districts by the State Auditor have uncovered blatant abuses of taxpayer dollars in myriad ways. To root out fraud and abuse, save taxpayer dollars, and lower property taxes, this bill expands the authority of the State Auditor concerning performance audits of school districts. This bill also requires the State Auditor to annually issue a compendium report on school district audits from the previous five years to the Governor, Legislature, Commissioner of Education in the Department of Education, Assembly Education Committee, and Senate Education Committee. The report will also be transmitted to the board of education of each school district and posted on the State Auditor's website. The report from the State Auditor will include:

(1) a list of recommended best practices and safeguards for school districts to implement; and

(2) a standardized response form for school districts to submit.

The report will allow school districts to stay updated on best practices and summarize what has succeeded and failed in school districts across the State. Within 60 days of the submission of the report, each school district is required to respond to the Office of the State Auditor. The certified response will include:

(1) a statement regarding the level of compliance by the school district in relation to each of the State Auditor's recommendations;

(2) a summary of the steps taken by the school district to implement the State Auditor's recommended best practices and safeguards; and

(3) explanations from the school district concerning impediments in complying with the State Auditor's recommended best practices and safeguards.

The responses will aid the Office of the State Auditor in highlighting school districts that do not meet recommended best practices and safeguards.

The bill expands the authority of the Office of the State Auditor to audit school districts the State Auditor feels does not meet appropriate standards. The State Auditor will also conduct performance audits of a random sampling of school districts on an annual basis. Any school district that makes a willfully false or misleading statement in a certified response to the State Auditor regarding the recommendations as discovered by a performance audit will reimburse the Office of the State Auditor for the cost of conducting the performance audit.

This bill creates a special non-lapsing fund in the Department of the Treasury to be known as the "School District Performance Audit Reimbursement Fund." The fund will serve as a depository for monies collected from school districts. The fund will be administered by the State Treasurer, in conjunction with the State Auditor, and all interest on monies in the fund will be credited to the fund. The monies in the fund will be appropriated annually to the Office of the State Auditor to be used exclusively for the implementation of this bill, including increased funding for annual audits required by current law on any school district in which the State aid equals 80 percent or more of its net budget. This bill also requires an annual appropriation of $1.5 million from the General Fund to the Office of the State Auditor for the costs of implementing the provisions of the bill. The annual appropriation will be reduced by the monies deposited in the fund.