



# Hopatcong Borough Schools

**Joseph S. Piccirillo**  
*Superintendent of Schools*

**Learning Today. Leading Tomorrow.**

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**DATE:** September 22, 2021

**RE:** Rebuttal to the the New Jersey Comptroller Audit Report

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To Whom it May Concern:

Please accept this letter as an official rebuttal to the document entitled "A Performance Audit of Selected Fiscal and Operating Practices for the period of July 1, 2017 through June 30, 2020."

In general I was pleased with the thoroughness and helpfulness of the auditors throughout this process. Considering that the school district has had many changes in leadership (e.g. multiple superintendents, business administrators, assistant superintendents, directors, administrative assistants) and considering the unusual circumstances of COVID-19, I am thankful that we have had the opportunity to learn ways to improve our practices moving forward.

While I do not intend my comments, below, to be viewed as not accepting the recommendations of the report, I am thankful for the opportunity to include some additional comments and context for the benefit of the record. I will organize my thoughts section by section.

Cash Management and Reporting:

I appreciate that the audit report included on page 8 that, while the Day Plus program had an account with a balance after the program had closed, the account has since been closed and transferred to the general fund in FY 2021. It is worth noting that -- analogously -- while several inconsistencies had occurred with the balancing of monthly reports and the punctuality of those reports during the audit period, the district has since appointed a new Treasurer of School Monies beginning in FY 2022 and a new Payroll Manager who began in FY 2021. Since both employees have begun in these positions, these processes have improved tremendously. Additionally, since our new Business Administrator has started (FY 2021) the district has created many improvements with regard to procedures and processes. This includes improvements to month-end procedures and processes to ensure accuracy of the payroll agency fund liability balances

as implemented by the Business Administrator. Part of our district's Corrective Action Plan will include an update to the Standard Operating Procedures, as recommended by the report.

Internal Control Over Payroll:

This section includes many references to the segregation of duties listed in *NJAC 6A.23A-6.5*. It is important to highlight that while the audit references the statute and the possibility that a lack of oversight could lead to nefarious behavior, it also clearly articulates that, in the case of Hopatcong, no such unethical practices have occurred. The Business Administrator and I have had conversations about improving the segregation of duties and providing additional safeguards to ensure that limited electronic access is granted to certain areas of the payroll system without administrative approval, access to signature plates is restricted, and that payroll functions such as hand checks require physical signatures from the Business Administrator.

Extraordinary Aid:

I appreciate that the audit report included, on page 16, that improvements have been made in Extraordinary Aid beginning in FY 2020. Due to the work of our Business Administrator, Director of Special Services, and their respective offices -- our district was able to receive over \$300,000 more in Extraordinary Aid between FY 2020 and FY 2021. We will continue to work on improvements in this area and we will be training our two new staff members in the Office of Special Services to become better versed in these applications in order to maximize available revenue.

District and Co-op Shared Costs:

As was articulated in the report, the "rental" cost for the Co-op is a bit of a misnomer and is less about rent and more about deferring costs in other areas (e.g. covering the cost for insurance contributions as stated in the report). As part of our Corrective Action Plan, I will work with the Business Administrator and Co-op Director to more specifically itemize the "rental" fee. Regarding shared employees, however, it is noted in the report that there are three shared employees between the Co-op and the District. Please note that as of this year, FY 2022, that is no longer the case and we no longer have shared employees.

Ethics Violations:

Two ethics violations were outlined in the report which require context and a response. One situation refers to a tennis court repair in 2017. I am appreciative of knowing this information, but it is worth noting that this employee is no longer in the district and that relationship has since been severed. Second, there is mention in the report about a district-employee-run business that supports the Co-op with web maintenance and hosting. Please note that significant time was spent investigating whether this service could be done by an outside vendor. It was determined that the cost would be significantly more expensive if the services were provided by a different outside company. Additionally, the program was created and customized specifically for the Co-op by the district employee. We are looking into ways to

work within the district policies and applicable laws to continue to support this software so as to not put an undue financial burden on the Co-op but please be assured that the employee did not complete any tasks for this project with the Co-op during his work hours at the district.

District Use of Charge Cards:

Important context on this recommendation is that very few LEAs also operate a transportation co-op. I share this to highlight that while the *NJAC 5:30-9A.3* statute makes sense for nearly every school district, it may not make sense for Hopatcong. To more clearly articulate this position, our Co-op runs routes all across the state. If we do not use charge cards so that Co-op drivers can refuel their vehicles, we would be asking them to refuel in Hopatcong. In some instances, this would require a driver who completes routes in Newark to drive back to Hopatcong to refuel rather than refueling in Newark. This would result in a waste of both time and money. The current transportation crisis being experienced across the country aside, this would not be the best use of resources. I have personally put in an inquiry with the Sussex County Executive Superintendent via phone and email to see if an exception could be made in this circumstance. It is also worth noting that despite our use of charge cards in the specific circumstances mentioned in the report, we have many safeguards in place to ensure that that abuse does not occur (e.g. drivers must input their odometer reading and license number, etc).

I would like to thank the Office of the Comptroller again for the thoroughness of the report and for the helpful feedback. I would also like to thank the Office of the Comptroller for the opportunity to respond to the report in this letter. We will carefully complete our Corrective Action Plan and we look forward to improving our processes for the future.

Sincerely,



Joseph S. Piccirillo