



## Office of the State Comptroller

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FOR IMMEDIATE RELEASE

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# Comptroller's Audit Finds Unauthorized Financial Transactions, Lack of Accounting Security Controls at Salem County Special Services and Vocational School Districts

**TRENTON** – Inadequate security controls over its accounting system and failure to segregate duties among employees handling payments at the Salem County Special Services and Vocational Technical School Districts resulted in unauthorized financial transactions and potentially lost revenue, finds a new audit from the Office of the State Comptroller (OSC).

The Salem County Special Services District provides special education to children from birth to age 21, and shares management and administration with the Salem County Vocational Technical School District, one of 21 vocational-technical school districts in New Jersey that prepares students for employment.

OSC's audit found deficiencies in the Districts' internal controls that led to inappropriate financial transactions, and vulnerabilities that could lead to the misuse of District funds – 35 percent of which was state aid during the period covered in the audit. The Districts did not have adequate security controls for its accounting system, allowing unrestricted user access privileges to employees who did not need such a high level of access to do their jobs. Accounts payable clerks had unrestricted access that allowed them to open, change, approve, or make a payment without oversight or approval. The Districts' practice of allowing unrestricted access to these employees creates an environment that makes District funds vulnerable to theft, loss, or misuse. The Districts noted in their response that they have since brought on a new business software platform and established new security controls.

In addition to a lack of accounting system security controls, OSC's audit also found a lack of oversight over how financial transactions were processed. Best practices dictate that multiple people should handle different stages of the accounts payable process in order to prevent errors or the misuse of public funds. OSC found that two accounts payable clerks were able to access the blank check supply, print signed

checks, and issue payments – all without any authorization. This lack of outside authorization also makes it harder to detect improper transactions or those that resulted from human error. In one example, the Vocational Technical School District was responsible for reimbursing unspent grant funds to the Department of Education, but instead reimbursed them the full grant award – a difference of \$546,200. OSC’s audit also found that purchase orders were signed by accounts payable clerks without the signatories’ knowledge or approval.

OSC reviewed more than 200 checks issued by the Districts and found missing supporting documents, transactions without signed purchase orders, and invoices with payment amounts that did not match the authorized purchase order amount. In one instance, a vendor billed the District \$3,000 more than the amount listed on the authorized purchase order. In fact, OSC’s audit found that the Districts paid 564 purchase orders that exceeded the authorized amounts. In such instances, the school business administrator is responsible for investigating and authorizing charges greater than purchase order amounts – but in a sample of 30 of these purchase orders, none were approved by the school business administrator.

The audit further identifies opportunities for the Districts to improve their policies around their regular reporting requirements and billing for employees who use their child care services.

The full audit report, along with the Districts’ response, can be found [here](#).

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**The Office of the State Comptroller (OSC)** is an independent state agency that works to advance transparency and integrity throughout New Jersey government and to ensure taxpayer funds are spent efficiently and effectively. The OSC conducts audits and investigations of government agencies throughout New Jersey, reviews certain government contracts, and works to detect and prevent Medicaid fraud.

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