

ASSEMBLY BILL NO. 4033

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Assembly Bill No. 4033 with my recommendations for reconsideration.

This bill would permanently shift the deadline for the completion of a school district's annual audit to the January 31 next following the end of the school fiscal year. The report of each annual audit would be required to be submitted to the Commissioner of Education ("Commissioner") not later than the February 5 next following the end of the school fiscal year. This bill also provides that, notwithstanding the extended deadline for the submission of a school district's annual audit report, and notwithstanding the provision of any law to the contrary, a school district is required to submit the audit summary to the Commissioner not later than the January 15 next following the end of the school fiscal year.

Under current law, all school districts must complete an annual audit no later than five months after the end of the school fiscal year. The report of each annual audit in turn must be filed with the Commissioner five days after its submission to the Board of Education. While I commend the sponsors' intent to provide a longer runway for the submission of school district audits, I am concerned that a permanent extension for the audits will undermine the school district budget process.

School district annual audits not only ensure that funds are received and disbursed properly, but also help shape school district budgets. Data generated by these audits are essential to creating responsible budgets, and any delays in data that flow from the audits has the potential to negatively impact the budget process. Additionally, the audits generate key data necessary for

the calculation and release of certified tuition rates and the Taxpayers' Guide to Education Spending, both of which districts rely on to create their budgets.

Audited balances are also required to be included in the school district budget, and delays leave less time for districts to adjust the budget for changes in the amount of fund balance available. Furthermore, delaying the timeline of the audits may have ramifications beyond the school district level given the timeline of the Governor's Budget Message, which is typically presented to the Legislature by the end of February. Delays in receiving the data will make it challenging to utilize any such relevant data in the budget planning process leading up to the Governor's Budget Message.

Before instituting a permanent extension to the school district audit deadlines, we should fully analyze the potential repercussions, unintended consequences, and overall impacts of doing so. As we return to more normal operations following the Coronavirus disease 2019 ("COVID-19") pandemic, a more prudent approach would be to extend the deadlines for two years coupled with an analysis on whether such extensions should be made permanent. For this two-year pilot, which will apply to the audits conducted in connection with the 2022-2023 and the 2023-2024 school years, I am recommending changing the deadline for completion of the school district audit to the January 10 next following the end of the school fiscal year, and the submission of the audit summary to the Commissioner not later than the January 1 next following the end of the school fiscal year. Additionally, under my recommendations, the annual audits would need to be filed with the Commissioner not later than the January 15 next following the end of the corresponding school fiscal year.

Therefore, I herewith return Assembly Bill No. 4033 and recommend that it be amended as follows:

Page 2, Title, Lines 1-2: Delete "and amending
N.J.S.18A:23-1 and
N.J.S.18A:23-3"

Page 2, Section 1, Lines 7-18: Delete in their entirety

Page 2, Section 2, Lines 20-30: Delete in their entirety

Page 2, Section 2, Line 31: Delete "(cf:P.L.1975, c.212,
s.32)" and insert "1. a.
Notwithstanding the provisions
of N.J.S.18A:23-1 or of any
law, rule, or regulation to the
contrary, the board of
education of every school
district shall complete the
annual audit of the district's
accounts and financial
transactions required pursuant
to N.J.S.18A:23-1 for the
2022-2023 and 2023-2024 school
years not later than the
January 10 next following the
end of the school fiscal year,
and the board of education of
every school shall submit the
Audit Summary to the
Commissioner of Education not
later than the January 1 next
following the end of the school
fiscal year. For school years
thereafter, the board of
education of every school
district shall complete its
annual audit in accordance
with the provisions of
N.J.S.18A:23-1.

b. Notwithstanding the
provisions of N.J.S.18A:23-3
or of any law, rule, or
regulation to the contrary,
for the 2022-2023 and 2023-
2024 school years, the report
of each annual audit shall be
filed by the public school
accountant making the same,
with his recommendations with
the board of education of the
district, and such account
shall not later than the
January 15 next following the
end of the school fiscal year
file two duplicate copies
thereof certified under his
signature in the office of the
commissioner. For school years
thereafter, the board of
education of every school
district shall complete its
annual audit in accordance
with the provisions of
N.J.S.18A:23-3.

c. Ninety days following the
end of fiscal year 2025, the
Commissioner of Education, in
consultation with the State
Treasurer, shall submit a
report to the Governor, and to
the Legislature pursuant to

section 2 of P.L.1991, c.164 4 (C.52:14-19.1), on the impacts of shifting the deadline for completion of the annual audit, including any impacts to the school budgeting process. The report shall include, but not be limited to, recommendations on the advisability of permanently extending the deadlines for completion and submission of the annual audit.

Page 2, Section 3, Line 33:

[seal]

Delete "3." and insert "2."

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor