



NJPSAFE

— LEGAL ONE —

*Law, **E**thics and **G**overnance for **A**ll **L**eaders, including an
Overview of **N**ew and **E**merging Issues*

Athletics and School Finance

January 14, 2026

Presenters

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Presentation Materials

Today's document(s) can be accessed at

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2025-26 Series

October 29 – Enforcing Expectations Around Sportsmanship
November 11, 9:30 – 12 (In-Person)

November 11 – Athletics and Human Resources: Elevating Professionalism in Athletics (Virtual)

December 17, 9:30 - 12
Connecting the Dots: Moving the Athletic Program from an Island to a Team Approach (Virtual)

January 14, 9:30 - 12
Athletics and School Finance (Virtual)

REVIEW OF PRIOR SESSIONS

Sportsmanship

- Key Takeaways
 - Clear Expectations
 - Consistent Enforcement
 - Athletes, spectators, parents, coaches
 - Safety as Number One Priority
 - Clearly delineated roles - school security, police, school staff
 - Preventative steps
 - Emergency response protocols
 - Recognize Unique Challenges
 - E.g., away games, larger v. smaller events, prior history
- Union City Approach

Athletics and Human Resources

- Key Takeaways
 - Consistent Protocols
 - Evaluations for Everyone
 - Addressing coaches who are not otherwise district employees
 - Criminal background checks for school employees based on NJ requirements (including volunteers with “regular pupil contact”)
- Union City Approach

From Island to Team Approach

- Key Takeaways
 - Relationships are Key
 - No need to reinvent the wheel
 - Information Sharing is Critical
 - Connect with Administrative Team (e.g., principals, HR, Finance, Building and Grounds)
- Union City Approach

WHAT WOULD YOU DO???

Responding to a Sales Rep

The Sales Rep for athletic equipment reconditioning company:

- Offers to take you and all your coaches out to dinner to show his appreciation for being such a great client
- Invites you as AD to use his box seat at an upcoming Giants football game
- Says his company has to start billing for equipment reconditioning based on their count, since many districts are undercounting equipment sent out

Budget Squeeze

It is late February and the district has just learned that state aid is being reduced by 10% from what had been expected. A range of options are being considered to make up for the budget shortfall. Several board members raise questions about the district's athletic program, and the option of moving all sports over to "pay to play" so that they can continue without causing a strain on budget resources.

As AD, you almost never attend Board of Education meetings but feel like you may have to attend the next meeting to express your concerns. What do you do?

Use of Athletic Facilities

A petition has been submitted to the Superintendent signed by nearly all of the residents of a nearby 55+ community. They indicate that, since they pay such high taxes, they demand unlimited access to use the school's track, swimming pool, and weight room.

The superintendent calls you into his office and asks your opinion about how to respond. He asks you to list the pros and cons of allowing access and what conditions should apply.

ATHLETICS AND FINANCE OVERVIEW

We Pay Taxes!

Still BOE property – Reasonable restrictions

Court of public opinion – Be sensitive in how you respond

Consider in advance Proper Access, Rules and Restrictions

Same “we pay taxes” argument may be used:

- to demand control over hiring and firing
- to demand more playing time for their child

Foreseeable Issues

- Inconsistent means for collecting, handling gate receipts
- Addressing donations and how to handle (e.g, naming rights, sponsorships)
- Improper, or lack of, controls over equipment supplies, maintenance, cleaning, etc.
- Ethics issues related to acceptance of gifts, meals, etc. from vendors
- Mixing of funds between school district and booster clubs, other outside entities
- Putting off purchase orders until start of Fiscal Year in July even when the delay results in lack of equipment and supplies needed for Athletic programs
- Need to effectively demonstrate budgetary needs and the value of athletics

Group Discussion

- What procedures are currently followed in regards to purchasing athletic equipment and supplies? What checks and balances are in place? How can they be improved?
- What procedures are currently followed in regards to handling of receipts from athletic events and athletic fundraisers? What vetting process? Do we still do door-to-door or outside location fundraisers? What checks and balances are in place? How can they be improved?
- Describe when and how you interact with current and potential athletics vendors? In what ways do vendors support fundraising activities? What checks and balances are in place to address potential conflicts of interest?
- What role does the Athletic Director play in developing the district budget? When does the budget process begin? How do you make your case for needed resources?

Title IX Test for Athletic Opportunities

- See US Dept of Ed Title IX [Athletics Overview](#)
- In determining whether equal athletic opportunities are available, the Title IX regulations require OCR to consider whether a school is effectively accommodating the athletic interests and abilities of its male and female students. OCR assesses compliance in any one of the following ways:
 - 1. Whether participation opportunities for male and female students are provided in numbers substantially proportionate to their respective enrollments; or
 - 2. Where the members of one sex have been and are underrepresented among interscholastic or intercollegiate athletes, whether the school can show a history and continuing practice of program expansion which is demonstrably responsive to the developing interests and abilities of the members of that sex; or
 - 3. Where the members of one sex are underrepresented among interscholastic or intercollegiate athletes, whether the school can show that the interests and abilities of the members of that sex have been fully and effectively accommodated by the present program.
- These options are commonly referred to as the “Three-Part Test.” A school may use any one of these three ways to demonstrate that it is fulfilling its legal duty to meet the athletic interests and abilities of its students.

Equity in Spending Under Title IX

NOT a simple dollar for dollar match

Level of Interest - duty to explore

- Boys volleyball
- Union City example - girls wrestling

Coaches offices/locker rooms

Cost of specific sports

Not just about girls sports - need to address equity in sports for boys and girls

NOT comparing apples and oranges

- e.g., baseball v. softball

CASE STUDIES

Circle System (Schutt) Case Study

- Time Period - August 1997 through June 2007
- Modus operandi
 - Double billing – submits invoices & statements, schools often paid both
 - Provided fake price quotes from competitors
 - Made gifts and donations to schools, individuals, then recouped by inflating invoices
- Scope of scam – submitted fake quotes to at least 100 different schools, including more than 60 public schools in New Jersey and schools in 11 other states
- Conspired to defraud public schools
- Convictions under federal law – conspiracy to commit wire fraud, conspiracy to defraud public schools
- Penalties – Over \$1 million in restitution, prison sentences ranging up to maximum of 20 years

Improper Retention of Duplicate Payments

Circle Systems received over 500 duplicate payments from schools, totaling more than approximately \$970,000, which were not returned but instead deposited into a secret "Z Account" for the benefit of Circle's management.

The funds from duplicate payments were used for personal benefits, such as paying down a mortgage held by defendant Alan Abeshaus.

Fake Quotes

Circle Systems provided fake price quotes to school officials, using letterheads of other companies to create the appearance of competitive bidding, with some quotes forged to appear genuine.

These fake quotes were transmitted to schools via mail, fax, or hand-delivery, often using methods to conceal their origin from Circle.

In some instances, school officials knew or should have known that the quotes were fake

Such as when Circle was asked to provide additional quotes AFTER goods or services were purchased

Fraudulent Invoices

Circle Systems submitted fraudulent invoices to schools to recoup donations made to schools and school officials, often billing for services not performed or goods not provided.

The company also used fraudulent invoices to pay for personal gifts and benefits for school officials, often marking up the cost of these items significantly.

Circle Systems fraudulently inflated invoices to achieve desired profits, often billing schools for more work or parts than were actually provided.

Fraudulent Invoicing Example

In or about October 2003, Circle made a \$500 donation to the "annual appeal" for NJ School #1.

Circle then recouped part of that donation on or about May 18, 2004, by fraudulently billing NJ School #1 approximately \$400 for the reconditioning of shoulder pads that Circle had not actually performed.

Concealment and Misrepresentation

Circle Systems concealed fraudulent activities by manipulating financial records and using fraudulent paperwork to hide the nature and timing of transactions, allowing school officials to use budgeted funds inappropriately.

The company used the mail and interstate wires to send fake quotes and fraudulent invoices, furthering the scheme to defraud schools.

Details on Double Billing

Circle Systems engaged in double billing of a school district by receiving more than 500 duplicate payments from various schools, including payments where the same items were paid for twice—once upon receipt of an invoice and again upon receipt of a monthly statement. Rather than returning these duplicate payments, Mitchell Kurlander instructed Circle employees to deposit the funds into Circle's bank account.

These overpayments were tracked in a secret “Z Account” within Circle’s ledger, hidden from regular financial reports. If a school recognized its duplicate payment and inquired, the money would be refunded or credited; otherwise, Circle retained the funds.

Lack of Inventory Controls

Some double billing was possible due to lack of effective inventory management. For example, if the district did not have accurate inventory counts for specific equipment that was being reconditioned excessive billing often occurred.

Group Discussion

- How did these mistakes occur?
- What lessons can be learned?
- What should be done differently to avoid similar issues in the future?

PERC Case Law

- PERC Case – Montclair Board of Education, 25 NJPER ¶30155 (1999)
- Athletic Director challenged an increment withholding
- Case involved alleged mishandling of gate receipts from wrestling meets
- Supervisors Association sought binding arbitration, BOE opposed
- PERC held action was primarily disciplinary, not evaluative – employee had right to binding arbitration

KEY LEGAL CONSIDERATIONS

Internal Controls Are Critical

- Quality Single Accountability Continuum (QSAC)
- Cash Controls / Deposits
- Athletic / Student Activity Funds / Documentation
- Purchasing / State Contract/ CO-OP Bids
- Purchasing / Emails / Telephone

QSAC Indicator

2. A standard operating procedures (SOP) manual for business functions is maintained, updated and implemented pursuant to N.J.A.C. 6A:23A-6.6. The SOP manual includes a system of internal controls in accordance with N.J.A.C. 6A:23A-6.4 to prevent the over-expenditure of line item accounts and to safeguard assets from theft and fraud and includes a section that details purchasing procedures.

8 points

Statutes & Code related to Student Activity Funds

- N.J.S.A. 18A:17-8 – Authority to collect monies
- N.J.S.A. 18A:23-2 – Annual audit
- N.J.S.A. 18A:19-14 – Governs handling athletic funds pursuant to state regulations
- N.J.A.C. 6A:23A-16.12 – regulations outlining requirements for handling student activity funds

N.J.A.C. 6A:23A-16.12

Revenue and expenditures generated by student groups for specific uses, such as academic clubs and senior class trips, are reported as student activity funds.

Board of Education shall establish student activity funds by resolution. Such funds shall be maintained under the jurisdiction of the board and supervision of the school business administrator/board secretary, who may appoint a designee for purposes of administering the funds.

The district board of education or charter school or renaissance school project board of trustees shall establish a policy that includes the following:

- 1. Purpose of the student activity fund and a timeline for the use of the funds generated; and
- 2. Methodology for distribution of funds remaining subsequent to completion of the purpose for which the funds were generated.

Minimum Policy Requirements

Each district board of education or charter school or renaissance school project board of trustees shall maintain student activity funds in an interest-bearing account separate from all other funds, and shall disburse interest on this account(s) to each student activity fund in proportion to the balances on deposit for each activity

Minimum Policy Requirements

Each district board of education or charter school or renaissance school project board of trustees shall ensure, through adoption of a formal board policy, that all financial and bookkeeping controls are adequate to ensure appropriate fiscal accountability and sound business practices.

Minimum Policy Requirements

Receipts shall include the date, sources, purpose, and amount. The district board of education or charter school or renaissance school project board of trustees shall promptly deposit all receipts in the bank, and shall ensure that all deposits agree with the entries in the cash receipt book and are traceable to the actual receipts or groups of receipts.

Disbursements shall be recorded chronologically showing date, vendor, check number, purpose, and amount. The district board of education or charter school or renaissance school project board of trustees shall make all disbursements by check bearing a minimum of two authorized signatures, and shall support all disbursements by a claim, bill, or written order to persons supervising the fund.

Minimum Policy Requirements

Book balances shall be reconciled with bank balances. The district board of education or charter school or renaissance school project board of trustees shall retain canceled checks and bank statements for examination by the licensed public school accountant as part of the annual audit.

Student activity funds shall be classified by school.

Borrowing from the student activity accounts shall be prohibited

When Is District Not Responsible?

The district board of education or charter school or renaissance school project board of trustees shall not be responsible for the protection of and the accounting for funds collected by any teacher or pupil for an outside organization, and shall not approve such funds for deposit in a school activity account

Conflict of Interest Rules

- 18A:12-24 – Conflict of Interest for School Officials
 - 12-24(b) Cannot use position to secure unwarranted privileges
 - 12-24 (c) No direct or indirect financial involvement
 - 12-24(e) No soliciting or accepting gifts
 - 12-24(f) No use of insider information
 - Rules apply to individual and immediate family
 - Required ANNUAL FINANCIAL DISCLOSURE (public information)

Ethics, Annual Disclosure

- 18A:12-24.1 – Code of Ethics for School Board members
- 18A:12-25 – Annual disclosure as to employment and financial interests
- 18A:12-26 – Annual financial disclosure forms
 - Each source of income over \$2,000
 - Each honorarium, speaking fee, writing fee over \$250
 - Each source of gift exceeding \$250

Bid Threshold & Related Requirements

- 18A:18A-3 – Establishes bid thresholds
- N.J.A.C. 6A:23A-21.1 – Establishes rules for dealing with change orders and open-end contracts

What's on the Line!

Implications of Violating Rules

Pensions - Division of Pension may withhold all or part of pension

Certification - State Board of Examiners may suspend or revoke certification

Position - District may bring tenure charges or non-renew

Reputation - Public reporting/social media posts may undermine credibility, about to find other positions

ADVOCATING FOR YOUR NEEDS

AD Role in Budget Process

Year-Long Process – Don't Wait Until Last Minute!

AD Relationship with BA is Key

- Danger of individual coaches bypassing AD and going to the BA

Understanding the budget

Multi-year fiscal plans

Data is critical, not just opinions

Is the budget for Athletics “your money” to repurpose???

AD Role in Promoting Importance of Athletics

Impact on School Climate

- In many ways, most significant impact on school climate
- Positive school climate reduces HIB and many other student harms

Builds Sense of Belonging for Students

- For Many students, it is the reason they attend school
- Significant costs on other aspects of society if students become disengaged (e.g. criminal justice system)

Being Visible

- at events, at BOE meetings, etc.

Teach and reinforce critical skills

- e.g., resilience

BEST PRACTICES

Best Practices Approach

- Handling Receipts from Events, Fundraisers
 - Multiple people to collect and monitor funds that are collected from events, proper documentation
 - Short timeline for depositing game receipts
 - Avoid Use of Cash
- Using Volunteers
 - Background checks if there is regular pupil contact
 - No involvement in collection and handling of funds
- Disbursing Funds
- Dealing with Vendors
- Bidding and Price Quotes
- Avoiding Conflicts of Interest, complying with disclosure requirements
- Interlocal Agreements - pros and cons and timing

QUESTIONS???

Conclusion

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4 ESSENTIAL PROGRAMS IN SCHOOL LAW EDUCATION

LEGAL ONE (Law, Ethics and Governance for **All Leaders**, including an **Overview of New and Emerging** issues) is the leading provider of education law workshops, online courses, and webinars for school leaders, educators, and other key stakeholders. We can also provide you and your entire team in-district training on any school law matter.



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04



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FEATURED EPISODE

School Athletics, Finance, Ethics and Legal Liability



ORIGINAL AIR
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