

**EAST ORANGE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**EAST ORANGE BOARD OF EDUCATION
TABLE OF CONTENTS**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	5
Food Service Fund	6
Student Body Activities	7
Application for State School Aid	7
Pupil Transportation	7
Facilities and Capital Assets	8
Follow-up on Prior Year Findings	8
Suggestions to Management	8
Schedule of Meal Count Activity	9
Net Cash Resource Schedule	10
Schedule of Audited Enrollments	11-13
Encumbrances	14-15
Excess Surplus Calculation	16
Recommendations	17-18
Acknowledgement	18



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

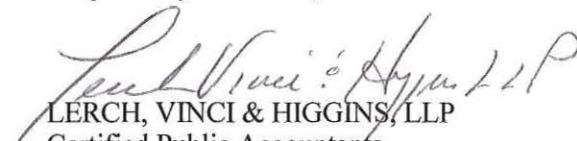
Honorable President and Members
of the Board of Trustees
East Orange Board of Education
East Orange, New Jersey

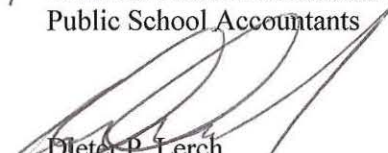
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the East Orange Board of Education, County of Essex, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 11, 2016.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of management, the Board of Trustees, others within the District and the New Jersey State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
November 11, 2016

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the district's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Victor Demming	Board Secretary/School Business Administrator	\$150,000
Ann Marie Corbitt	Treasurer of School Monies	750,000

There is a Public Employees' Dishonesty Performance Blanket Position Bond with New Jersey School Boards Insurance Group (NJSBAIG) covering all other employees with multiple coverage of \$500,000.

Finding – Our audit of travel reimbursements revealed the following:

- Maximum travel expense limit was not approved in the minutes.
- Post travel reimbursement reports were not always filed.

Recommendation – The maximum travel expense limit be established by resolution and post travel reimbursement reports be filed in each instance.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of payroll taxes were deposited into the payroll agency account.

All payrolls tested were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchases orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Finding – (CAFR Finding 2016-001) - Our audit revealed unrecorded accounts payable of approximately \$900K for water utility charges and the ECESC for services rendered during the 2015/2016 school year.

Recommendation – Internal controls be enhanced to ensure that vendor services rendered are properly recorded as accounts payable at year end.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(F) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-8.3.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

The prescribed contractual order system was followed.

Acknowledgement of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21) and agendas made available for audit.

Treasurer's Records

The Treasurer performed cash reconciliations of all required District accounts.

The Treasurer's cash balances were in agreement with the balances as of the Board Secretary's records.

Elementary and Secondary Education Act of (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind (NCLB) of 2001

The ESEA/NCLB financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II and III of the Elementary and Secondary Education Act, as amended.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Our examination of the ESEA/NCLB funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Finding (CAFR Finding 2016-003) – Our audit of the Title I, Title IIA and IDEA grant award programs revealed amounts reported as expended in 2014/2015 final reports were not in agreement with the expenditures reported in the District records.

Recommendation – The final reports for Title I, Title IIA and IDEA grant funds be reconciled and in agreement with the District records.

Finding (CAFR 2016-004) – Our audit of the Title I grant award program revealed that obligations incurred during the grant period were not liquidated within ninety (90) days of year end.

Recommendation – Obligations incurred during the grant period be liquidated within ninety (90) days after year end.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our audit of the Federal and State funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Finding (CAFR 2016-006) – Our audit of the Early Childhood Preschool providers revealed that quarterly expenditure reports and independent audit reports were not submitted to the District on a timely basis.

Recommendation – Third party preschool providers for early childhood services file the quarterly expenditure reports and the year end audit on a timely basis.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees charged to Federal grant programs who are members of the Teachers Pension and Annuity Fund.

T.P.A.F. Reimbursements to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 90 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Reports.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law".

Effective April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by P.L. 1999, C. 440.

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:3-3 are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800 for 2015/2016.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

Finding (CAFR Finding 2016-002 and 2016-005) – Our audit with respect to school purchasing revealed the following:

- a) Office of the State Comptroller was not notified of a contract award in excess of \$2 million.
- b) Vendor invoices for welding and paving services were not paid in accordance with the approved cooperative bid rates.
- c) Vendor invoices for air conditioning and lock services were not itemized to include hourly rates and number of hours to be charged.

Recommendation – It is recommended that with respect to school purchasing:

- a) Office of the State Comptroller be notified of contract awards that exceed \$2 million.
- b) Invoices for welding and paving services be paid in accordance with the approved cooperative bid rates.
- c) Invoices for air conditioning and lock services be itemized as to the hourly rates and time to be charged.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Food Service Fund

The financial transactions and statistical records of the School Food Services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The district utilized a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$219,476. The operating results provision has been met.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed with an immaterial exception noted between meals claimed and meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications/or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

The District contracts with Sodexo Management to manage the Food Service operations.

USDA Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

The school maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

Finding – Payments for repair services were made to the Food Service Management company rather than procured separately in accordance with N.J.A.C. 5:34-4.4(b).

Recommendation – It is recommended that repair services regarding the operation of the District's cafeterias' be separately procured from the Food Service contract.

Finding – Sales reported per the Sodexo operating student exceeded sales per the District records by approximately \$170,000.

Recommendation – Food service management company's sales records be reconciled with the District's sales records on a monthly basis.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds.

Cash receipts and disbursements records were maintained in good condition.

Finding – Our audit of student body activities revealed that:

Fresh State Academy

- Pre-numbered receipts were not utilized.

STEM Academy

- Pre-numbered receipts were not utilized.
- Deposits were not made in a timely manner.

Langston Hughes School

- Pre-numbered receipts are not utilized.
- Deposits were not made in a timely manner.

Johnnie L. Cochran

- Pre-numbered receipts are not utilized.

Recommendation – It is recommended that internal controls be enhanced over revenue collections.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with minor exceptions. The information that was included on the workpapers was verified with minor exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintains workpapers in the prescribed state forms or their equivalents.

The district has adequate written procedures for the recording of student enrollment data.

Finding – The audit revealed that ESL students were not accurately reported on the ASSA.

Recommendation – It is recommended that all students classified as Limited English Proficient (LEP) be reported on the ASSA.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with exception. The information that was included on the workpapers was verified with immaterial exceptions noted.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Facilities and Capital Assets

Since the District is classified as an At Risk School District, virtually all SDA grant activity is conducted by the State on behalf of the Board. This on-behalf grant activity is reported in the District's financial statements as State aid revenue and capital outlay expenditures in the Capital Projects Fund.

Follow-Up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.

Suggestions to Management

- Surety bond coverage for the Treasurer be increased to \$800,000 to meet the minimum surety bond coverage required.

**EAST ORANGE BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Over/ (Under) Claim</u>
National School Lunch (Regular Rate)	Paid	136,315	57,718	58,579	(861)	0.29	\$ (250)
	Reduced	84,172	31,201	31,395	(194)	1.69	(328)
	Free	<u>1,042,926</u>	<u>386,953</u>	<u>388,910</u>	<u>(1,957)</u>	1.99	<u>(3,894)</u>
	Total Lunch	<u>1,263,413</u>	<u>475,872</u>	<u>478,884</u>	<u>(3,012)</u>		<u>\$ (4,472)</u>
School Breakfast (Regular)	Paid	109,128	46,498	46,498			
	Reduced	57,572	21,920	21,920			
	Free	<u>663,241</u>	<u>253,107</u>	<u>253,107</u>	<u>-</u>		
	Total Breakfast	<u>829,941</u>	<u>321,525</u>	<u>321,525</u>	<u>-</u>		
School Snacks (Regular)	Paid	-	-	-			
	Reduced	-	-	-			
	Free	<u>46,529</u>	<u>46,529</u>	<u>46,529</u>	<u>-</u>		
	Total Snacks	<u>46,529</u>	<u>46,529</u>	<u>46,529</u>	<u>-</u>		
		<u>2,139,883</u>	<u>843,926</u>	<u>846,938</u>	<u>(3,012)</u>		

NET CASH RESOURCE SCHEDULE

**Net cash resources did not exceed three months of expenditures
Proprietary Funds - Food Service
FYE 2016**

		Food Service B - 4/5	
<u>Net Cash Resources:</u>			
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 780,301
B-4		Due from Other Gov'ts	1,144,991
B-4		Accounts Receivable	32,867
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(1,186,927)
B-4		Less Due to Other Funds	(104,732)
B-4		Less Deferred Revenue	
		Net Cash Resources	<u>\$ 666,500.00 (A)</u>
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	6,446,231
B-5		Less Depreciation	<u>0</u>
		Adj. Tot. Oper. Exp.	<u>\$ 6,446,231 (B)</u>
<u>Average Monthly Operating Expense:</u>			
		B / 10	<u>\$ 644,623 (C)</u>
<u>Three times monthly Average:</u>			
		3 X C	<u>\$ 1,933,869 (D)</u>

TOTAL IN BOX A	\$ 666,500
LESS TOTAL IN BOX D	<u>\$ (1,933,869)</u>
NET	<u>\$ (1,267,369)</u>
From above:	
A is greater than D, cash exceeds 3 X average monthly operating expenses.	
D is greater than A, cash does not exceed 3 X average monthly operating expenses.	

SOURCE - USDA resource management comprehensive review form

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Pre-K 3yr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 3yr	245	-	245	-	-	-	20	20	-	-	-	-	-	-	-	-	-
Half Day Pre-K 4yr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 4yr	292	-	292	-	-	-	25	25	-	-	-	-	-	-	-	-	-
Half Day K	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day K	674	-	674	-	-	-	84	84	-	-	-	-	-	-	-	-	-
One	717	-	717	-	-	-	55	55	-	-	-	-	-	-	-	-	-
Two	701	-	701	-	-	-	55	55	-	-	-	-	-	-	-	-	-
Three	688	-	688	-	-	-	39	39	-	-	-	-	-	-	-	-	-
Four	604	-	604	-	-	-	63	63	-	-	-	-	-	-	-	-	-
Five	585	-	585	-	-	-	69	65	-	4	-	-	-	-	-	-	-
Six	547	-	547	-	-	-	309	309	-	-	-	-	-	-	-	-	-
Seven	517	-	517	-	-	-	297	296	-	1	-	-	-	-	-	-	-
Eight	532	-	532	-	-	-	310	310	-	-	-	-	-	-	-	-	-
Nine	516	-	516	-	-	-	78	78	-	-	-	-	-	-	-	-	-
Ten	457	-	457	-	-	-	88	88	-	-	-	-	-	-	-	-	-
Eleven	485	-	485	-	-	-	89	89	-	-	-	-	-	-	-	-	-
Twelve	438	-	438	-	-	-	255	255	-	-	-	-	-	-	-	-	-
Adult School (15+cr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	7,998	-	7,998	-	-	-	1,836	-	1,831	-	5	-	-	-	-	-	-
Sp. Ed. - Elementary	462	-	462	-	-	-	7	7	-	-	-	-	27	10	10	-	-
Sp. Ed. - Middle School	320	-	320	-	-	-	50	50	-	-	-	-	22	8	8	-	-
Sp. Ed. - High School	425	-	425	-	-	-	360	360	-	-	-	-	85	31	30	1	-
Subtotal	1,207	-	1,207	-	-	-	417	-	417	-	-	-	134	49	48	1	-
Totals	9,205	-	9,205	-	-	-	2,253	-	2,248	-	5	-	134	49	48	1	-
Percentage Error					0%	0%					0.22%	0.00%					2.04%

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on	Reported on	Errors	Sample	Verified to	Sample	Reported on	Reported on	Errors	Sample	Verified to	Errors
	2016-2017 Application for S	Workpapers as					ASSA as	Workpapers as				
Low	Low	Income	Workpapers	Application	Errors	Income	Income	Income	Selected	and Register	Errors	
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 3yr	-	-	-	3	3	-	-	-	-	-	-	-
Full Day Pre-K 4yr	-	-	-	6	6	-	-	-	-	-	-	-
Full Day Kindergarten	570	570	-	3	3	-	19	18	1	4	4	-
One	605	605	-	11	11	-	19	21	(2)	5	5	-
Two	577	577	-	11	11	-	16	17	(1)	4	4	-
Three	565	565	-	10	10	-	22	26	(4)	5	5	-
Four	499	499	-	10	10	-	20	22	(2)	5	5	-
Five	459	459	-	8	8	-	14	18	(4)	4	4	-
Six	461	461	-	10	10	-	9	9	-	2	2	-
Seven	398	398	-	7	7	-	7	10	(3)	2	2	-
Eight	407	407	-	9	9	-	15	15	-	4	4	-
Nine	408	408	-	9	9	-	14	13	1	3	3	-
Ten	349	349	-	8	8	-	26	33	(7)	7	7	-
Eleven	353	353	-	8	8	-	22	26	(4)	7	7	-
Twelve	298	298	-	3	3	-	12	13	(1)	2	2	-
Adult School (15+ credits)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	5,949.0	5,949.0	-	116.0	116.0	-	215.0	241.0	(26.0)	54.0	54.0	-
Special Ed. - Elementary	407	407	-	8	8	-	4	1	3	1	1	-
Special Ed. - Middle	259	268	(9)	4	4	-	-	-	-	-	-	-
Special Ed. - High	334	334	-	7	7	-	-	-	-	-	-	-
Subtotal	1,000	1,009	(9)	19	19	-	4	1	3	1	1	-
Co. Voc. -Regular												
Co. Voc. Ft. Post Sec.												
Totals	6,949.0	6,958.0	(9.0)	135.0	135.0	-	219.0	242.0	(23.0)	55.0	55.0	-
Percentage Error			<u>-0.13%</u>			<u>0.00%</u>						

	Transportation					
	Reported on	Reported on	Errors(1)	Tested	Verified	Errors
	DRTRS by	DRTRS by				
BOE	District					
Reg. - Public Schools	320	320	-	28	27	1
Special Ed. - Public	258	258	-	22	22	-
Transported - Non - Public			-			-
Special Needs - Public	197	197	-	17	15	2
	<u>775</u>	<u>775</u>	<u>-</u>	<u>67</u>	<u>64</u>	<u>3</u>
Percentage Error			<u>0.00%</u>			<u>4.48%</u>

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on 2016-2017 Application for St LEP Not low Income	Reported on Workpapers as LEP Not low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
	Half Day Kindergarten			-		
Full Day Pre-K 3yr			-			-
Full Day Pre-K 4yr						-
Full Day Kindergarten	1	1	0	1	1	-
One	3	2	1	2	2	-
Two	1	2	-1	1	1	-
Three	4	4	0	3	3	-
Four	4	4	0	3	3	-
Five	1	1	0	1	1	-
Six	2	2	0	1	1	-
Seven	7	7	0	6	6	-
Eight	5	5	0	5	5	-
Nine	5	5	0	5	5	-
Ten	2	1	1	1	1	-
Eleven	10	10	0	8	8	-
Twelve	3	3	0	3	3	-
Subtotal	48	47	1	40	40	-
Special Ed. - Elementary	1	1	0	1	1	-
Special Ed. - Middle	-		-			-
Special Ed. - High	-					-
Subtotal	1	1		1.00	1.00	-
Co.Voc. -Regular						
Co.Voc. Ft. Post Sec.						
Totals	49.0	48.0	1.0	41.0	41.0	-
Percentage Error			2.04%			0.00%

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Encumbrances per the June 30, 2016

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled/Reclassified Through Audit Adjustments</u>	\$ 343,204
Tuition		\$ -		
Cleaning Repair & Maintenance Services	\$ 20,273			
Energy	183,679			
Other Purchased Services	60,051			
Transportation				
Supplies				
Payroll		-		
Equipment		-		
Various	-	-	-	
Total Audited	264,003	264,003	-	
Unaudited	79,201	79,201	-	
Total Encumbrances	343,204	343,204	-	
Total Encumbrances Cancelled During the Audit				-
Add: Encumbrances for				
Salary Related Appropriations				930,000
Fund Balance Reserved for Encumbrances in the CAFR				\$ 1,273,204

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Encumbrances per the June 30, 2016
Board Secretary Report (Funds 15)**

\$ 42,708

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled Through Audit Adjustments</u>
Other Purchased Services	29,639		
Transportation	2,175		
Other Objects	7,500		
		-	
		-	-
		-	
	-	-	-
	<hr/>	<hr/>	<hr/>
Total Audited	39,314	-	-
	<hr/>	<hr/>	<hr/>
Unaudited	3,394	-	-
	<hr/>	<hr/>	<hr/>
Total Encumbrances	42,708	-	-
	<hr/>	<hr/>	<hr/>

Total Encumbrances Cancelled During the Audit

-

**Add: Encumbrances for
Salary Related Appropriations**

5,550,000

Fund Balance Reserved for Encumbrances in the CAFR

\$ 5,592,708

**EAST ORANGE PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1

Calculation A: 2% Excess Surplus:

2015-2016 Total General Fund Expenditures Reported on Exhibit C-1		\$ 227,662,802
Increased by Applicable Operating Transfers:		
Transfer from General Fund to Special Revenue Fund for Preschool		615,277
Decreased by:		
Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2		(2,230,255)
		\$ 226,047,824
Decreased by:		
On-Behalf TPAF Pension & Social Security		(22,450,287)
Assets Acquired Under Capital Leases		-
		203,597,537
2015-2016 General Fund Expenditures		203,597,537
2% of Adjusted 2016-2016 General Fund Expenditures		4,071,951
Increased by Allowable Adjustment		66,031
Maximum Unassigned Fund Balance		\$ 4,137,982

SECTION 2

Total General Fund - Fund Balance at June 30, 2016		\$ 24,536,254
Decreased by:		
NonSpendable Fund Balance - Inventory		242,581
Restricted Fund Balances - Excess Surplus Desig. For Sub. Year's Exp.		3,713,651
Restricted Fund Balances - Capital Reserve		2,235,304
Restricted Fund Balances - Equipment Lease Proceeds		-
Restricted Fund Balance - Emergency Reserve		154,760
Restricted Fund Balance - Maintenance Reserve		2,195,654
Restricted Fund Balances - Register Audit Recoveries		2,182,683
Assigned Fund Balance - Year End Encumbrances		6,865,912
Assigned Fund Balance - SEMI/ARRA		228,007
Assigned Fund Balance - Designated for Subsequent Year's Exp.		3,207,794
		3,207,794
Total Unassigned Fund Balance		\$ 3,509,908

SECTION 3

Restricted Fund Balance - Excess Surplus		\$ -
--	--	------

Recapitulation of Excess Surplus as of June 30, 2016

Excess Surplus - Designated for Subsequent Year's Expenditures		\$ -
Restricted Excess Surplus		-
Total		\$ -

Detail of Allowable Adjustments

Extraordinary Aid		-
SEMI	16	\$ 66,031
		\$ 66,031

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

RECOMMENDATIONS

I. Administration Practices and Procedures

The maximum travel expense limit be established by resolution and post travel reimbursement reports be filed in each instance.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Internal controls be enhanced to ensure that vendor services rendered are properly recorded as accounts payable at year end.
- * 2. The final reports for Title I, Title IIA and IDEA grant funds be reconciled and in agreement with the District records.
3. Obligations incurred during the grant period be liquidated within ninety (90) days after year end.
4. Third party preschool providers for early childhood services file the quarterly expenditure reports and the year end audit on a timely basis.

III. School Purchasing Programs

It is recommended that with respect to school purchasing:

- a) Office of the State Comptroller be notified of contract awards that exceed \$2 million.
- b) Invoices for welding and paving services be paid in accordance with the approved cooperative bid rates.
- * c) Invoices for air conditioning and lock services be itemized as to the hourly rates and time to be charged.

IV. Food Services Fund

It is recommended that

- * 1. Repair services regarding the operation of the District's cafeterias be separately procured from the Food Service contract.
2. The Food Service management company's sales records be reconciled with the Districts sales records on a monthly basis.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

RECOMMENDATIONS

V. Student Body Activities

It is recommended that internal controls be enhanced over revenue collections.

VI. Application for State School Aid

It is recommended that all students classified as Limited English Proficient (LEP) be reported on the ASSA.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations. Corrective action was taken on all prior year recommendations, except those recommendations denoted by an asterisk (*).

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch
Public School Accountant
Certified Public Accountant