

**EAST ORANGE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**EAST ORANGE BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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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, 2017, and have issued our report thereon dated November 9, 2017.

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 9, 2017

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 (NJSBIG) covering all other employees with multiple coverage of \$500,000.

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.

Finding – Three employees terminated from the District were not removed from the health benefit bills in a timely manner.

Recommendation – Terminated employees be removed from the monthly health benefit bills on a timely manner.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-002) – Our audit of year end accounts payable and encumbrances payable revealed the following:

- Unrecorded accounts payable for services rendered during 2016/2017.
- Purchase orders classified as encumbrances were determined to be invalid at year end.

Recommendation – Internal controls be enhanced to ensure that vendor invoices for services rendered are properly accrued as accounts payable at year end. Furthermore, purchase orders be reviewed and cancelled when no longer valid.

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.

Finding (CAFR 2017-001) – The District ended the fiscal year with a Debt Service Fund operating deficit in the amount of \$189,186 at June 30, 2017.

Recommendation – Efforts be made to eliminate the Debt Service operating deficit in the amount of \$189,186.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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.

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 (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.

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 2017-005) – Our audit of the Early Childhood Preschool providers revealed that independent audit reports were not submitted to the District on a timely basis.

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

The State Department of Education conducted a review of the 2015-2016 Preschool Education Program contract with The Little Ones.

The findings noted in the Office of Fiscal Accountability and Compliance (OFAC) report dated April 24, 2017 were as follows:

- The provider underspent \$316,254 of 2015/2016 preschool education funds which remain payable to the District.
- The provider may be experiencing financial difficulties and lacked the proper fiscal controls.
- The provider did not have a current independent audit performed.
- Financial activities related to the NJDOE funded preschool program were not maintained separately from other funding sources.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

- Review of bank statement and general ledger revealed non allowable costs.
- The provider did not maintain a financial management system that provided timely, accurate, current and complete disclosure of all financial activities related to the NJDOE funded preschool education program.
- A review of the salary line items revealed the payroll documentation submitted did not reconcile to the salaries reported on the quarterly expenditure report.
- A review of the benefit line items revealed the benefit expense was not reported accurately compared to the actual benefit invoices and did not reflect the employee contributions. In addition, the provider did not submit payroll registers from December 15, 2015 through June 30, 2016, to verify the contributions on behalf of the employees.
- The provider's policy for benefits was not a uniform policy based on an equitable standard of distribution within each class of employee and did not consistently reconcile to the benefits offered and the employee contributions. The provider did not demonstrate that the same benefits were offered for the NJDOE funded teaching staff and the non-teaching staff. The director, the family worker and the custodian received health benefits which were more costly than the benefits offered to other non-teaching staff members. In addition, the director did not contribute to the benefits while all of the other NJDOE funded employees did contribute.
- A review of the payroll tax line items revealed the provider reported the payroll taxes based on the budgeted percentage rather than the actual costs. In addition, the bank statements did not reflect payments for the payroll taxes during the period of December 30, 2015, through June 30, 2016, while the provider was funded \$136,000 for payroll taxes.

On June 13, 2017 the District approved a corrective action plan to address the findings noted in the State's monitoring report. The District must continue to monitor the approved corrective action plan to ensure each finding has been properly addressed.

In a letter dated August 1, 2016, based upon the review of the provider by District personnel, the District notified the provider of the close out of the 2015-2016 contract year and identified a remaining balance of underspent funds totaling \$34,222 due to the District. This was in addition to \$201,688.34 of underspent funds related to the 2014-2015 contract year, for a total due equal to \$235,910.34. The letter also indicated the amount due would be recouped by or before June, 5, 2017.

On October 31, 2016, the District amended the recoupment agreement, due to the financial difficulty of the provider, and extended the payback date to June 30, 2018. As of June 2017 the District had collected \$115,444 of the underspent funds from the provider. In addition the District opted not to renew the contract with the Little Ones for the contract year 2017/2018.

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, 2017**

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 2016/2017.

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 2017-003 and 2017-004) – Our audit with respect to school purchasing revealed the following:

- a) Vendor invoices for alarm maintenance and electrical services were not itemized to include hourly rates and number of hours to be charged.
- b) Cooperative bid rates were not available to support amounts charged per vendor invoices.

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

- a) Invoices for alarm maintenance and electrical services be itemized as to the hourly rates and time to be charged.
- b) Cooperative bid rate documentation be made available to support amounts charged per vendor invoices.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 \$400,468. 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 no exceptions 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 – Sales reported per the Sodexo operating student exceeded sales per the District records by approximately \$224,000.

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

Finding – The food service management contract with Sodexo was modified during the fiscal year reducing the guaranteed profit by \$200,000. This modification was not reflected in the minutes.

Recommendation – Modifications to the FSMC be formally ratified in the Board minutes.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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:

John L. Costley Middle School

- Only one authorized check signature on checks.

Fresh Start Academy

- Pre-numbered receipts were not utilized.

Johnnie L. Cochran

- Pre-numbered receipts are not utilized.

Sojourner Truth Middle School

- Two (2) checks were made payable to cash totaling \$4,555, also there was no supporting invoice.
- One (1) check was issued for \$3,500 with no supporting vendor invoice.

Recommendation – It is recommended that internal controls be enhanced in the following schools:

- a) J. Cochran and Fresh Start – Prenumbered receipts be issued.
- b) J. Costley – 2 signatures be required on all checks.
- c) Sojourner Truth – No checks be made payable to cash and all disbursements be supported by vendor invoices.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2016 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.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 without exception. The information that was included on the workpapers was verified with an immaterial exception 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.

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.
- Our audit revealed that estimated tuition payments to certain charter schools were not reviewed at year end to determine amounts that may be due from the charter school as a result of final enrollment counts. It is suggested a year-end review of enrollments be made to determine if a credit is due.

**EAST ORANGE BOARD OF EDUCATION
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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>
National School Lunch (Regular Rate)	Paid	150,907	50,638	50,638	-
	Reduced	70,948	31,985	31,985	-
	Free	<u>1,029,817</u>	<u>462,472</u>	<u>462,472</u>	-
	Total Lunch	<u>1,251,672</u>	<u>545,095</u>	<u>545,095</u>	-
School Breakfast (Regular)	Paid	131,049	46,998	46,998	
	Reduced	53,014	23,470	23,470	
	Free	<u>673,136</u>	<u>298,337</u>	<u>298,337</u>	-
	Total Breakfast	<u>857,199</u>	<u>368,805</u>	<u>368,805</u>	-
School Snacks (Regular)	Paid	-	-	-	
	Reduced	-	-	-	
	Free	<u>49,671</u>	<u>49,671</u>	<u>49,671</u>	-
	Total Snacks	<u>49,671</u>	<u>49,671</u>	<u>49,671</u>	-
		<u>2,158,542</u>	<u>963,571</u>	<u>963,571</u>	-

NET CASH RESOURCE SCHEDULE

Net cash resources did not exceed three months of expenditures
 Proprietary Funds - Food Service
 FYE 2017

<u>Net Cash Resources:</u>		Food Service B - 4/5
CAFR	*	
	Current Assets	
B-4	Cash & Cash Equiv.	\$ 64,107
B-4	Due from Other Gov'ts	1,099,114
B-4	Accounts Receivable	132,079
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(559,119)
B-4	Less Due to Other Funds	(104,332)
B-4	Less Deferred Revenue	
	Net Cash Resources	<u>\$ 631,849 (A)</u>

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	6,645,920
B-5	Less Depreciation	-
	Adj. Tot. Oper. Exp.	<u>\$ 6,645,920 (B)</u>

Average Monthly Operating Expense:

B / 10	<u>\$ 664,592 (C)</u>
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Three times monthly Average:

3 X C	<u>\$ 1,993,776 (D)</u>
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TOTAL IN BOX A	\$ 631,849
LESS TOTAL IN BOX D	\$ (1,993,776)
NET	<u>\$ (1,361,927)</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 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on	Sample		
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private	Verifi-	Sample	Sample
On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	Schools	cation	Verified	Errors	
Half Day Pre-K 3yr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 3yr	232	-	232	-	-	-	28	-	28	-	-	-	-	-	-	-
Half Day Pre-K 4yr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 4yr	305	-	305	-	-	-	35	-	35	-	-	-	-	-	-	-
Half Day K	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day K	610	-	610	-	-	-	17	-	17	-	-	-	-	-	-	-
One	662	-	662	-	-	-	63	-	63	-	-	-	-	-	-	-
Two	634	-	634	-	-	-	42	-	42	-	-	-	-	-	-	-
Three	647	-	647	-	-	-	73	-	73	-	-	-	-	-	-	-
Four	635	-	635	-	-	-	33	-	33	-	-	-	-	-	-	-
Five	607	-	607	-	-	-	97	-	97	-	-	-	-	-	-	-
Six	547	-	543	-	4	-	307	-	307	-	-	-	-	-	-	-
Seven	547	-	537	-	10	-	316	-	316	-	-	-	-	-	-	-
Eight	513	-	502	-	11	-	302	-	302	-	-	-	-	-	-	-
Nine	562	-	551	-	11	-	98	-	98	-	-	-	-	-	-	-
Ten	454	-	430	-	24	-	79	-	79	-	-	-	-	-	-	-
Eleven	472	-	463	-	9	-	298	-	298	-	-	-	-	-	-	-
Twelve	456	-	448	-	8	-	266	-	266	-	-	-	-	-	-	-
Adult School (15+cr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	7,883	-	7,806	-	77	-	2,054	-	2,054	-	-	-	-	-	-	-
Sp. Ed. - Elementary	505	-	505	-	-	-	41	-	41	-	-	-	30	12	12	-
Sp. Ed. - Middle School	309	-	309	-	-	-	10	-	10	-	-	-	18	7	7	-
Sp. Ed. - High School	373	7	373	7	-	-	47	-	47	-	-	-	76	30	30	-
Subtotal	1,187	7	1,187	7	-	-	98	-	98	-	-	-	124	49	49	-
Totals	9,070	7	8,993	7	77	-	2,152	-	2,152	-	-	-	124	49	49	-
Percentage Error					0.85%		0					0.00%		0.00%	0.00%	

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on 2017-2018 ASSA Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected	Verified to Test Score and Register	Errors
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 3yr	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 4yr	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	480	480	-	10	9	1	32	29	3	6	6	-
One	515	515	-	12	12	-	25	25	-	6	6	-
Two	479	479	-	9	9	-	23	22	1	5	5	-
Three	493	493	-	10	10	-	13	12	1	3	3	-
Four	472	472	-	10	9	1	18	16	2	4	4	-
Five	458	458	-	11	10	1	19	19	-	4	4	-
Six	410	410	-	9	8	1	17	15	2	3	3	-
Seven	411	411	-	9	9	-	11	11	-	3	3	-
Eight	374	374	-	8	7	1	14	14	-	2	2	-
Nine	418	418	-	10	10	-	29	29	-	6	6	-
Ten	333	333	-	6	6	-	15	15	-	2	2	-
Eleven	328	328	-	7	7	-	25	25	-	7	7	-
Twelve	302	302	-	6	5	1	16	16	-	4	4	-
Adult School (15+ credits)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	5,473.0	5,473.0	-	117.0	111.0	6.0	257.0	248.0	9.0	55.0	55.0	-
Special Ed. - Elementary	409	409	-	8	8	-	2	2	-	1	1	-
Special Ed. - Middle	234	234	-	5	4	1	2	-	2	-	-	-
Special Ed. - High	282	279	3	6	6	-	-	-	-	-	-	-
Subtotal	925	922	3	19	18	1	4	2	2	1	1	-
Co.Voc. -Regular												
Co.Voc. Ft. Post Sec.												
Totals	6,398.0	6,395.0	3.0	136.0	129.0	7.0	261.0	250.0	11.0	56.0	56.0	-
Percentage Error			<u>0.05%</u>			<u>5.15%</u>						

	Transportation					
	Reported on DRTRS by BOE	Reported on DRTRS by District	Errors(1)	Tested	Verified	Errors
Reg. - Public Schools	294	294	-	28	28	-
Special Ed. - Public	237	237	-	22	21	1
Transported - Non - Public			-			-
Special Needs - Public	170	170	-	16	16	-
	<u>701</u>	<u>701</u>	<u>-</u>	<u>66</u>	<u>65</u>	<u>1</u>
Percentage Error			<u>0.00%</u>			<u>1.52%</u>

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on 2017-2018 ASSA 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	10	8	2	4	4	-
One	3	3	0	2	2	-
Two	6	6	0	3	3	-
Three	10	10	0	6	6	-
Four	7	7	0	4	4	-
Five	5	4	1	3	3	-
Six	4	4	0	2	2	-
Seven	5	5	0	3	3	-
Eight	9	9	0	5	5	-
Nine	5	4	1	2	2	-
Ten	5	5	0	3	3	-
Eleven	13	13	0	7	7	-
Twelve	8	8	0	5	5	-
Subtotal	90	86	4	49	49	-
Special Ed. - Elementary	1	-	1	1	1	-
Special Ed. - Middle	1	-	1			-
Special Ed. - High	1	-	1			-
Subtotal	3	0	3	1	1	-
Co.Voc. -Regular						
Co.Voc. Ft. Post Sec.						
Totals	93.0	86.0	7.0	50.0	50.0	-

Percentage Error

7.53%

0.00%

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Encumbrances per the June 30, 2017

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled/Reclassified Through Audit Adjustments</u>	
Board Secretary Report (Funds 11, 12, 13)				\$ 1,890,455
Tuition	\$ 203,216	\$ 76,137	\$ 127,079	
Cleaning Repair & Maintenance Services				
Energy	451,614	97,323	354,291	
Other Purchased Services	152,091	152,091		
Transportation	273,073	273,073		
Supplies				
Payroll		-		
Equipment		-		
Various	-	-	-	
Total Audited	<u>1,079,994</u>	<u>264,003</u>	<u>481,370</u>	
Unaudited	<u>810,461</u>	<u>810,461</u>	<u>-</u>	
Total Encumbrances	<u>1,890,455</u>	<u>1,074,464</u>	<u>481,370</u>	
Total Encumbrances Cancelled During the Audit				<u>(481,370)</u>
Add: Encumbrances for Salary Related Appropriations				<u>1,698,232</u>
Fund Balance Reserved for Encumbrances in the CAFR				<u>\$ 3,107,317</u>

**EAST ORANGE PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1

Calculation A: 2% Excess Surplus:

2016-2017 Total General Fund Expenditures Reported on Exhibit C-1	\$	238,090,522
Increased by Applicable Operating Transfers:		
Transfer from General Fund to Special Revenue Fund for Preschool		146,008
Decreased by:		
Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2		(2,829,067)
		\$ 235,407,463
Decreased by:		
On-Behalf TPAF Pension & Social Security Assets Acquired Under Capital Leases		(24,623,864)
		-
2016-2017 General Fund Expenditures		210,783,599
2% of Adjusted 2017-2018 General Fund Expenditures		4,215,672
Increased by Allowable Adjustment		-
Maximum Unassigned Fund Balance	\$	4,215,672

SECTION 2

Total General Fund - Fund Balance at June 30, 2017	\$	17,039,968
Decreased by:		
NonSpendable Fund Balance - Inventory		225,814
Restricted Fund Balances - Capital Reserve		3,741,312
Restricted Fund Balance - Maintenance Reserve		1,195,654
Restricted Fund Balances - Register Audit Recoveries		1,505,324
Assigned Fund Balance - Year End Encumbrances		3,502,088
Assigned Fund Balance - SEMI/ARRA - Designated for Subsequent Year's Exp		38,892
Assigned Fund Balance - Designated for Subsequent Year's Exp.		5,211,350
Total Unassigned Fund Balance	\$	1,619,534

SECTION 3

Restricted Fund Balance - Excess Surplus	\$	-
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Recapitulation of Excess Surplus as of June 30, 2017

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

Detail of Allowable Adjustments

Extraordinary Aid		-
SEMI	\$	-
	\$	-

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Terminated employees be removed from the monthly health benefit bills on a timely basis.
- * 2. Internal controls be enhanced to ensure that vendor invoices for services rendered are properly accrued as accounts payable at year end. Furthermore, purchase orders be reviewed and cancelled when no longer valid.
3. Efforts be made to eliminate the Debt Service operating deficit in the amount of \$189,186.
- * 4. Third party preschool providers for early childhood services file the year end audit on a timely basis.

III. School Purchasing Programs

It is recommended that with respect to school purchasing:

- a) Invoices for alarm maintenance and electrical services be itemized as to the hourly rates and time to be charged.
- b) Cooperative bid rate documentation be made available to support amounts charged per vendor invoices.

IV. Food Services Fund

It is recommended that

- * 1. The Food Service management company's sales records be reconciled with the Districts sales records on a monthly basis.
2. Modifications to the food service management contract be formally ratified in the Board minutes.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RECOMMENDATIONS

V. Student Body Activities

It is recommended that internal controls be enhanced in the following schools:

- a) J. Cochran and Fresh Start – Prenumbered receipts be issued.
- b) J. Costley – 2 signatures be required on all checks.
- c) Sojourner Truth – No checks be made payable to cash and all disbursements be supported by vendor invoices.

VI. Application for State School Aid

There are none.

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