

**EAST ORANGE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

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

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of the Board of Trustees
East Orange Board of Education
East Orange, New Jersey

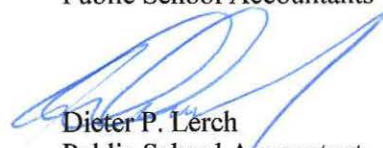
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the East Orange Board of Education, County of Essex, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 24, 2019.

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 for the information of the Board of Education’s management, the Board of Trustees, and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

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
January 24, 2019

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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>
Craig Smith	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.

Salary withholdings were promptly remitted by the District to the proper agencies. In addition, the District remitted the health benefit withholdings due to the General Fund in a timely manner.

The District maintains a personal tracking and accounting (Position Control) system.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 2018-002) – Our audit of year end accounts payable and encumbrances payable revealed the following:

- Unrecorded accounts payable for services rendered during 2017/2018.
- Purchase orders classified as encumbrances were either misclassified or determined to be invalid at year end.
- Prior year encumbrances payable were posted to accounts payable rather than the respective budget accounts.

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, properly classified, cancelled and properly charged when rolled over into the subsequent year.

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.

Travel

The District had an approved board travel policy as required by N.J.A.C. 6A:23A-6-13 and N.J.S.A. 18A:11-12.

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 2018-001) – The District ended the fiscal year with a Debt Service Fund operating deficit in the amount of \$376,327 at June 30, 2018.

Recommendation – Continued efforts be made to eliminate the deficit in the Debt Service Fund.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. 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, III and IV of the Elementary and Secondary Education Act, as amended and reauthorized.

Our examination of the E.S.E.A. 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 2018-004) – Our audit of the IDEA Basic, IDEA Preschool, Title I and Title I-SIA grant award programs revealed reimbursements were not requested and received timely for program expenditures made during the grant period.

Recommendation – Federal program expenditure reimbursements be requested on a timely basis for IDEA and Title I grants.

Finding (CAFR Finding 2018-005) – Our audit of the IDEA Basic and IDEA P/S grant program revealed that the Districts 2017/2018 grant award was not amended to reflect the available prior year carry over balances.

Recommendation – The District amend the IDEA Basic and Preschool final reports to reflect the unexpended funds as available carryover balances.

Finding – Our audit revealed four (4) budget line accounts were overexpended in the Preschool Education program at June 30, 2018. The result of the overpayments were prior year retro salary payments. It was noted that the District had available carry over balances to cover the over expenditures therefore no recommendation is warranted.

The State Department of Education conducted a review of the 2015-2016 Preschool Education Program contract with Community Day Nursery.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

The findings noted in the Office of Fiscal Accountability and Compliance (OFAC) report dated March 29, 2018 were as follows:

- The provider overspent the approved budget by \$17,386.
- The provider closeout of the quarterly expenditure report was not completed in a timely manner.
- The providers Independent Auditor's Report for the years 2015, 2014 and 2013 did not include a report on internal controls.
- Expenditures were not properly prorated between the DOE, DHS and G & A.
- Salaries were not reported accurately compared to the payroll registers and the employment contracts.
- Benefit expenses were not reported accurately compared to the actual benefit invoices, the employee contributions and the allowable prorated NJDOE share of the annual costs.
- The provider did not maintain adequate employment contracts for several of the NJDOE funded employees.
- The payroll tax expense was not reported accurately primarily due to the incorrect proration of the salaries.
- The field trips line item expenses were not reported accurately on the quarterly expenditure report compared to the supporting documentation.
- The indirect cost line items revealed there were several missing invoices, and some of the utility invoices included late fees.

On May 11, 2018 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.

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, 2018**

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 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 \$19,000 for 2017/2018.

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 2018-003 and 2018-006) – Our audit with respect to school purchasing revealed the following:

- a) Vendor invoices for electrical services were not itemized to include hourly rates and number of hours to be charged.
- b) Amounts charged per vendor invoices for landscaping materials and flooring materials and services were not in agreement with approved cooperative bid rates.
- c) Amounts charged per vendor invoices for snow plowing services were not in agreement with approved publicly bid rates.

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

- a) Invoices for electrical services be itemized as to the hourly rates and time to be charged.
- b) Amounts charged per vendor invoices for landscaping materials and flooring materials and services be verified with approved cooperative bid rates.
- c) Vendor invoices for snowplowing and salting services be reviewed and paid in accordance with amounts per bid award.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$364,468. 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. The Statement of Revenues, Expenses and Changes in Fund Net Asset (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

Finding – Sales reported per the Sodexo operating statement exceeded sales per the District records by approximately \$146,149

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 \$36,000. 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, 2018**

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.

Mildred Barry Garvin School

- Only one authorized check signature on checks.

Johnnie L. Cochran School

- Deposits were not made in a timely manner.
- Only one authorized check signature on checks.

Tyson Elementary School

- Only one authorized check signature on checks.

Campus High Athletic Account

- A cash overdraft in the amount of \$1,439 at year end.

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

- a) Two (2) authorized signatures be required on all checks issued from the student activity accounts.
- b) Deposits for the Cochran School be made in a timely manner.
- c) The cash overdraft in the Campus High Athletic account be sufficiently funded.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 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, 2018**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2017-18 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.

Testing for Lead of all Drinking Water in Education Facilities

The school district adhered to all requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing of lead of all drinking water in educational facilities.

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

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, 2018**

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	129,787	56,499	56,499	-
	Reduced	74,878	30,680	30,680	-
	Free	<u>1,025,365</u>	<u>391,160</u>	<u>391,160</u>	-
	Total Lunch	<u>1,230,030</u>	<u>478,339</u>	<u>478,339</u>	-
School Breakfast (Regular)	Paid	117,500	48,817	48,817	
	Reduced	57,427	22,191	22,191	
	Free	<u>680,775</u>	<u>264,158</u>	<u>264,158</u>	-
	Total Breakfast	<u>855,702</u>	<u>335,166</u>	<u>335,166</u>	-
School Snacks (Regular)	Paid	-	-	-	
	Reduced	-	-	-	
	Free	<u>64,518</u>	<u>64,518</u>	<u>64,518</u>	-
	Total Snacks	<u>64,518</u>	<u>64,518</u>	<u>64,518</u>	-
		<u>2,150,250</u>	<u>878,023</u>	<u>878,023</u>	-

**EAST ORANGE BOARD OF EDUCATION
NET CASH RESOURCE SCHEDULE
FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CAFR	Current Assets	
B-4	Cash & Cash Equiv.	\$ 36,348
B-4	Due from Other Gov'ts	1,181,196
B-4	Accounts Receivable	108,891
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(483,256)
B-4	Less Due to Other Funds	(65,489)
B-4	Less Deferred Revenue	(15,181)
		<u> </u>
	Net Cash Resources	\$ 762,509
		<u> </u>
<u>Net Adj. Total Operating Expense:</u>		
B-5	Tot. Operating Exp.	6,708,461
B-5	Less Depreciation	(955)
		<u> </u>
	Adj. Tot. Oper. Exp.	\$ 6,707,506
		<u> </u>
<u>Average Monthly Operating Expense:</u>		
		<u>\$ 670,751</u>
<u>Three times monthly Average:</u>		
		<u>\$ 2,012,252</u>
Net Cash Resources		\$ 762,509
Three Months		<u>2,012,252</u>
Average Expenditures		
Net Cash Resources (Under)		
Three Months Average		
Expenditures		\$ 1,249,743
		<u> </u>

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	2018-2019 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	271	-	271	-	-	-	-	25	25	-	-	-	-	-	-	-
Half Day Pre-K 4yr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 4yr	369	-	369	-	-	-	-	22	22	-	-	-	-	-	-	-
Half Day K	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day K	648	-	648	-	-	-	-	155	155	-	-	-	-	-	-	-
One	624	-	624	-	-	-	-	61	61	-	-	-	-	-	-	-
Two	629	-	629	-	-	-	-	101	101	-	-	-	-	-	-	-
Three	626	-	626	-	-	-	-	107	107	-	-	-	-	-	-	-
Four	619	-	619	-	-	-	-	93	93	-	-	-	-	-	-	-
Five	613	-	613	-	-	-	-	40	40	-	-	-	-	-	-	-
Six	560	-	560	-	-	-	-	323	323	-	-	-	-	-	-	-
Seven	521	-	520	-	1	-	-	89	88	-	1	-	-	-	-	-
Eight	560	-	560	-	-	-	-	347	350	-	(3)	-	-	-	-	-
Nine	461	-	461	-	-	-	-	285	281	-	4	-	-	-	-	-
Ten	535	-	535	-	-	-	-	330	308	-	22	-	-	-	-	-
Eleven	455	-	455	-	-	-	-	78	77	-	1	-	-	-	-	-
Twelve	448	-	448	-	-	-	-	287	318	-	(31)	-	-	-	-	-
Adult School (15+cr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	7,939	-	7,938	-	1	-	-	2,343	2,349	-	(6)	-	-	-	-	-
Sp. Ed. - Elementary	539	-	539	-	-	-	-	27	26	-	1	-	29	12	12	-
Sp. Ed. - Middle School	306	-	306	-	-	-	-	18	18	-	-	-	11	5	5	-
Sp. Ed. - High School	388	8	388	8	-	-	-	22	22	2	-	-	76	32	32	-
Subtotal	1,233	8	1,233	8	-	-	-	67	66	2	1	-	116	49	49	-
Totals	9,172	8	9,171	8	1	-	-	2,410	2,415	2	(5)	-	116	49	49	-
Percentage Error					0.01%	0					-0.21%	0.00%				0.00%

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
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
	ASSA	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			-									
Full Day Pre-K 4yr			-									
Full Day Kindergarten	533.0	543.0	(10.0)	6.0	6.0	-	25.0	25.0	-	5.0	5.0	-
One	546.0	546.0	-	5.0	5.0	-	41.0	41.0	-	9.0	8.0	1
Two	525.0	525.0	-	5.0	5.0	-	21.0	21.0	-	4.0	4.0	-
Three	536.0	536.0	-	7.0	7.0	-	21.0	21.0	-	4.0	4.0	-
Four	526.0	526.0	-	4.0	4.0	-	24.0	24.0	-	5.0	4.0	1
Five	531.0	531.0	-	5.0	5.0	-	17.0	17.0	-	3.0	3.0	-
Six	501.0	501.0	-	5.0	5.0	-	23.0	23.0	-	4.0	4.0	-
Seven	435.0	435.0	-	5.0	4.0	1.0	18.0	17.0	1.0	1.0	1.0	-
Eight	456.0	456.0	-	6.0	6.0	-	18.0	18.0	-	4.0	4.0	-
Nine	336.0	336.0	-	2.0	1.0	1.0	25.0	25.0	-	5.0	5.0	-
Ten	388.0	388.0	-	4.0	4.0	-	35.0	36.0	(1.0)	7.0	7.0	-
Eleven	304.0	304.0	-	3.0	3.0	-	17.0	17.0	-	3.0	3.0	-
Twelve	277.0	277.0	-	3.0	3.0	-	21.0	21.0	-	4.0	3.0	1
Adult School (15+ credits)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	5,894.0	5,904.0	(10.0)	60.0	58.0	2.0	306.0	306.0	-	58.0	55.0	3.0
Special Ed. - Elementary	456.0	456.0	-	5.0	5.0	-	-	-	-	-	-	-
Special Ed. - Middle	262.0	262.0	-	3.0	3.0	-	1.0	2.0	(1.0)	1.0	1.0	-
Special Ed. - High	342.5	342.5	-	4.0	3.0	1.0	-	-	-	-	-	-
Subtotal	1,060.5	1,060.5	-	12.0	11.0	1.0	1.0	2.0	(1.0)	1.0	1.0	-
Co.Voc. -Regular												
Co.Voc. Ft. Post Sec.												
Totals	6,954.5	6,964.5	(10.0)	72.0	69.0	3.0	307.0	308.0	(1.0)	59.0	56.0	3.0
Percentage Error			-0.14%			4.17%			-0.33%			5.08%

	Transportation					
	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by	DRTRS by				
DOE / County	District					
Reg. - Public Schools	356	356	-	29	23	6
Special Ed. - Public	311	311	-	25	23	2
Transported - Non - Public	-	-	-	-	-	-
Special Needs - Public	185	185	-	15	14	1
	852	852	-	69	60	9
Percentage Error			0.00%			13.04%

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on 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	12	12	-	6	6	-
One	8	8	-	4	4	-
Two	6	6	-	3	3	-
Three	8	8	-	4	4	-
Four	1	1	-	1	1	-
Five	8	8	-	4	4	-
Six	5	5	-	2	2	-
Seven	7	7	-	4	4	-
Eight	8	8	-	3	3	-
Nine	7	8	(1)	3	3	-
Ten	8	12	(4)	4	4	-
Eleven	7	7	-	3	3	-
Twelve	15	15	-	8	8	-
Subtotal	100	105	(5)	49	49	-
Special Ed. - Elementary	1	1	-			-
Special Ed. - Middle	-	-	-			-
Special Ed. - High	-	-	-			-
Subtotal	1	1	-	-	-	-
Co.Voc. -Regular						
Co.Voc. Ft. Post Sec.						
Totals	101.0	106.0	(5.0)	49.0	49.0	-
Percentage Error			<u>-4.95%</u>			<u>0.00%</u>

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Encumbrances per the June 30, 2018

Board Secretary Report (Funds 11, 12, 13) \$ 1,674,324

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled/Reclassified Through Audit Adjustments</u>
Tuition	\$ 51,266		\$ 51,266
Energy	464,758		464,758
Other Purchased Services	240,232		240,232
Transportation	452,735		452,735
	<u>-</u>	<u>-</u>	<u>-</u>
Total Audited	<u>1,208,991</u>	<u>-</u>	<u>1,208,991</u>
Unaudited	<u>465,333</u>	<u>\$ 465,333</u>	<u>-</u>
Total Encumbrances	<u>1,674,324</u>	<u>465,333</u>	<u>1,208,991</u>

Total Encumbrances Cancelled During the Audit (1,208,991)

Fund Balance Reserved for Encumbrances in the CAFR \$ 465,333

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Encumbrances per the June 30, 2018
Board Secretary Report (Funds 15)**

\$ 16,079

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled Through Audit Adjustments</u>
Other Purchased Services	-	-	-
Transportation	-	-	-
Supplies	-	-	-
Total Audited	<u>-</u>	<u>-</u>	<u>-</u>
Unaudited	<u>\$ 16,079</u>	<u>-</u>	<u>-</u>
Total Encumbrances	<u>16,079</u>	<u>-</u>	<u>-</u>

Total Encumbrances Cancelled During the Audit

-

Fund Balance Reserved for Encumbrances in the CAFR

\$ 16,079

**EAST ORANGE BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1

Calculation A: 2% Excess Surplus:

2017-2018 Total General Fund Expenditures Reported on Exhibit C-1	\$	232,352,997
Decreased by:		
Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2		(3,260,059)
		\$ 229,092,938
Decreased by:		
On-Behalf TPAF Pension & Social Security		(27,915,967)
		201,176,971
2017-2018 General Fund Expenditures		201,176,971
2% of Adjusted 2017-2018 General Fund Expenditures		4,023,539
Increased by Allowable Adjustment		-
Maximum Unassigned Fund Balance	\$	4,023,539

SECTION 2

Total General Fund - Fund Balance at June 30, 2018	\$	17,747,231
Decreased by:		
NonSpendable Fund Balance - Inventory		223,398
Restricted Fund Balances - Capital Reserve		3,741,312
Restricted Fund Balance - Maintenance Reserve		1,395,654
Restricted Fund Balances - Register Audit Recoveries		1,254,437
Assigned Fund Balance - Year End Encumbrances		481,412
Assigned Fund Balance - Designated for Subsequent Year's Exp.		6,633,156
		\$ 4,017,862
Total Unassigned Fund Balance	\$	4,017,862

SECTION 3

Restricted Fund Balance - Excess Surplus	\$	-
<u>Recapitulation of Excess Surplus as of June 30, 2018</u>		
Excess Surplus - Designated for Subsequent Year's Expenditures	\$	-
Restricted Excess Surplus		-
Total	\$	-

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

- * 1. 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, properly classified, cancelled and properly charged when rolled over into the subsequent year.
- * 2. Continued efforts be made to eliminate the deficit in the Debt Service Fund.
- 3. Federal program expenditure reimbursements be requested on a timely basis for IDEA and Title I grants.
- 4. The District amend the IDEA Basic and Preschool final reports to reflect the unexpended funds as available carryover balances.

III. School Purchasing Programs

It is recommended that with respect to school purchasing:

- * a) Invoices for electrical services be itemized as to the hourly rates and time to be charged.
- b) Amounts charged per vendor invoices for landscaping materials and flooring materials and services be verified with approved cooperative bid rates.
- c) Vendor invoices for snow plowing and salting services be reviewed and paid in accordance with amounts per bid award.

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, 2018**

RECOMMENDATIONS

V. Student Body Activities

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

- a) Two (2) authorized signatures be required on all checks issued from the student activity accounts.
- b) Deposits for the Cochran School be made in a timely manner.
- c) The cash overdraft in the Campus High Athletic account be sufficiently funded.

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