

**EAST ORANGE BOARD OF EDUCATION  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2019**

**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, 2019, and have issued our report thereon dated November 26, 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  
November 26, 2019

**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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.

**Finding** – The audit of the health benefit bills indicated certain individuals continued to remain on health benefits after termination of employment.

**Recommendation** – The District's health benefit bills be reviewed on a monthly basis to ensure only active and eligible employees with the District are receiving benefits.

**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, 2019**

**Financial Planning, Accounting and Reporting (Continued)**

**Payroll Account (Continued)**

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.

**Finding** – Our audit revealed that the District did not complete the payroll check distribution verification within the required three years.

**Recommendation** – The District complete the required payroll check distribution verification in accordance with state fiscal accountability regulations.

**Finding** – The required certification (E-CERT1) for compensation related to certain administrators was not filed with the state.

**Recommendation** – The District prepare and submit certification (E-CERT1) to the state for certain administrators annual compensation.

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

**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 2019-002)** – Our audit of year end accounts payable and encumbrances payable revealed the following:

- Unrecorded accounts payable for services rendered during 2018/2019.
- Purchase orders classified as encumbrances were either misclassified or 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, properly classified and cancelled 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.

**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Financial Planning, Accounting and Reporting (Continued)**

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 fair condition.

**Finding (CAFR Finding 2019-001)** – We noted the financial transactions of an \$18.6 million Energy Savings Refunding Bond bank account with U.S. Bank for the energy savings improvement program were not being recorded in the District's accounting records. In addition, the payments made by the bank (fiscal agent) to vendors from this account were not included on the bills list and therefore not approved in the official minutes.

**Recommendation** – It is recommended that the District record all the transactions of its Energy Savings Refunding Bond bank account in their financial accounting records. In addition, payments to vendors be included on the bills list and be made part of the official minutes prior to payment by the fiscal agent.

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** – We noted five (5) budget line accounts in the General Fund and three (3) schools whose school based budget were overexpended at June 30, 2019.

**Recommendation** – Internal controls be reviewed to ensure transfers are made prior to the overexpenditure of available budget appropriations.

**Finding** – We noted that all employee health benefit deductions were reimbursed to the General Fund (Fund 11) appropriation budget account rather than allocated to the respective school based budget (Fund 15) appropriation budget accounts.

**Recommendation** – Employee health benefit deduction reimbursements be posted and allocated to the appropriate budget accounts in the General and School Based Budget Funds.

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.

IDEA

Separate accounting records were maintained for each approved project. Grant applications, approvals and acceptance of grant funds were made by Board resolution.

**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Financial Planning, Accounting and Reporting (Continued)**

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** – Our audit revealed the District's revenue and appropriation reports in the Special Revenue Fund were not in agreement with certain federal and state grant awards. In addition, numerous local grant awards were not entered into the District reports.

**Recommendation** – The District's revenue and appropriation reports in the Special Revenue Fund be reviewed and in agreement with federal and state grant awards. In addition, the District reports be updated to include each local grant.

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, as required by the Office of Grants Management.

**Finding** – Our audit revealed that the reimbursement due to the State of New Jersey for pension and social security for federally funded programs was not filed and remitted within the 90 day grant liquidation period.

**Recommendation** – The reimbursement due to the state for TPAF pension and FICA for federally funded programs be filed and remitted in a timely manner.

**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 2018/2019.

**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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 2019-003, 2019-004 and 2019-005)** – Our audit with respect to school purchasing revealed the following:

- a) Supporting documentation for purchases made through state contract and cooperative purchase was not available.
- b) Contracts awarded through Extraordinary Unspecifiable Services (EUS) and for professional services were not subsequently advertised.
- c) Vendors paid for goods and/or services in excess of the bid threshold that were not approved in the minutes.

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

- a) Supporting state contract and cooperative purchasing documentation be retained for audit.
- b) In all instances, contracts awarded for EUS and professional services be subsequently advertised.
- c) In all instances, contracts that exceed the bid threshold be procured in accordance with the Local Public Contracts Law.

**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.



**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Food Service Fund (Continued)**

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** – Our audit noted a deficit cash balance of \$379,819 at June 30, 2019. It was noted that the May federal and state reimbursements in the amount of \$701,363 were received on July 3, 2019, therefore no recommendation is warranted.

**Finding** – Sales reported per the Sodexo operating statement exceeded sales per the District records.

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

**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:

Sojourner Truth Middle School and Langston Hughes School

- Only one authorized check signature on checks.

Campus High Athletic Account

- A cash overdraft in the amount of \$4,375 at year end.

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

- a) The cash overdraft in the Campus High Athletic account be sufficiently funded.
- b) Two (2) authorized signatures be required on all checks issued from the student activity accounts.

**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2018 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.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2018-19 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. 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, 2019**

**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	161,592	59,388	59,388	-
	Reduced	82,142	38,248	38,248	-
	Free	<u>999,704</u>	<u>460,183</u>	<u>460,183</u>	-
	Total Lunch	<u>1,243,438</u>	<u>557,819</u>	<u>557,819</u>	-
School Breakfast (Regular)	Paid	127,623	48,516	48,516	
	Reduced	53,258	24,480	24,480	
	Free	<u>660,263</u>	<u>299,940</u>	<u>299,940</u>	-
	Total Breakfast	<u>841,144</u>	<u>372,936</u>	<u>372,936</u>	-
School Snacks (Regular)	Paid	-		-	
	Reduced	-		-	
	Free	<u>59,112</u>	<u>28,167</u>	<u>28,167</u>	-
	Total Snacks	<u>59,112</u>	<u>28,167</u>	<u>28,167</u>	-
		<u>2,143,694</u>	<u>958,922</u>	<u>958,922</u>	-

**EAST ORANGE BOARD OF EDUCATION  
NET CASH RESOURCE SCHEDULE  
FOOD SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>CAFR</b>	<b>Current Assets</b>	
B-4	Cash & Cash Equiv.	\$ (379,818)
B-4	Due from Other Gov'ts	1,168,105
B-4	Accounts Receivable	79,128
<b>CAFR</b>	<b>Current Liabilities</b>	
B-4	Less Accounts Payable	
B-4	Less Due to Other Funds	103,690
B-4	Less Deferred Revenue	
	<b>Net Cash Resources</b>	<b><u>\$ 971,105</u></b>
<b><u>Net Adj. Total Operating Expense:</u></b>		
B-5	Tot. Operating Exp.	7,024,218
B-5	Less Depreciation	<u>(2,395)</u>
	Adj. Tot. Oper. Exp.	<b><u>\$ 7,021,823</u></b>
<b><u>Average Monthly Operating Expense:</u></b>		
		<b><u>\$ 702,182</u></b>
<b><u>Three times monthly Average:</u></b>		
		<b><u>\$ 2,106,547</u></b>
Net Cash Resources		\$ 971,105
Three Months		<u>(2,106,547)</u>
Average Expenditures		
Net Cash Resources (Under)		
Three Months Average		
Expenditures		<b><u>\$ (1,135,442)</u></b>

**EAST ORANGE BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2018  
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	277	-	277	-	-	-	-	27	-	27	-	-	-	-	-	-	-
Half Day Pre-K 4yr	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre-K 4yr	355	-	355	-	-	-	-	33	-	33	-	-	-	-	-	-	-
Half Day K	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day K	644	-	644	-	-	-	-	61	-	61	-	-	-	-	-	-	-
One	642	-	642	-	-	-	-	80	-	80	-	-	-	-	-	-	-
Two	564	-	564	-	-	-	-	72	-	72	-	-	-	-	-	-	-
Three	619	-	619	-	-	-	-	88	-	88	-	-	-	-	-	-	-
Four	631	-	631	-	-	-	-	81	-	81	-	-	-	-	-	-	-
Five	618	-	618	-	-	-	-	74	-	74	-	-	-	-	-	-	-
Six	580	-	580	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seven	567	-	564	-	3	-	-	-	-	-	-	-	-	-	-	-	-
Eight	533	-	526	-	7	-	-	-	-	-	-	-	-	-	-	-	-
Nine	524	-	524	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	491	-	491	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	525	-	526	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	473	-	473	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult School (15+cr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	8,043	-	8,034	-	9	-	-	516	-	516	-	-	-	-	-	-	-
Sp. Ed. - Elementary	552	-	552	-	-	-	-	94	-	94	-	-	-	29	13	13	-
Sp. Ed. - Middle School	299	8	299	8	-	-	-	-	-	-	-	-	18	8	8	-	-
Sp. Ed. - High School	393	12	393	12	-	-	-	-	-	-	-	-	59	28	27	1	-
Subtotal	1,244	20	1,244	20	-	-	-	94	-	94	-	-	-	106	49	48	1
Totals	9,287	20	9,278	20	9	-	-	610	-	610	-	-	-	106	49	48	1
Percentage Error					0.10%	0							0.00%	0.00%			2.04%

**EAST ORANGE BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2018  
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 Low Income	Workpapers as Low Income					ASSA as LEP low Income	Workpapers as LEP low Income				
Half Day Kindergarten			-						-			-
Full Day Pre-K 3yr			-						-			-
Full Day Pre-K 4yr			-						-			-
Full Day Kindergarten	478.0	478.0	-	5.0	5.0	-	17.0	17.0	-	4.0	4.0	-
One	493.0	493.0	-	6.0	6.0	-	27.0	27.0	-	6.0	6.0	-
Two	482.0	482.0	-	6.0	6.0	-	29.0	29.0	-	7.0	7.0	-
Three	525.0	525.0	-	6.0	5.0	1.0	26.0	26.0	-	6.0	6.0	-
Four	510.0	510.0	-	6.0	6.0	-	23.0	23.0	-	5.0	5.0	-
Five	460.0	460.0	-	5.0	5.0	-	15.0	15.0	-	3.0	3.0	-
Six	470.0	470.0	-	5.0	5.0	-	14.0	14.0	-	3.0	3.0	-
Seven	418.0	417.0	1.0	5.0	5.0	-	19.0	19.0	-	4.0	4.0	-
Eight	385.0	381.0	4.0	4.0	4.0	-	16.0	16.0	-	4.0	4.0	-
Nine	304.0	304.0	-	3.0	3.0	-	24.0	24.0	-	5.0	5.0	-
Ten	288.0	288.0	-	3.0	3.0	-	24.0	24.0	-	5.0	5.0	-
Eleven	278.0	278.0	-	3.0	3.0	-	22.0	22.0	-	5.0	5.0	-
Twelve	232.0	232.0	-	3.0	3.0	-	10.0	10.0	-	2.0	2.0	-
Adult School (15+ credits)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>5,323.0</b>	<b>5,318.0</b>	<b>5.0</b>	<b>60.0</b>	<b>59.0</b>	<b>1.0</b>	<b>266.0</b>	<b>266.0</b>	<b>-</b>	<b>59.0</b>	<b>59.0</b>	<b>-</b>
Special Ed. - Elementary	402.0	402.0	-	5.0	5.0	-	-	-	-	-	-	-
Special Ed. - Middle	250.0	250.0	-	3.0	3.0	-	-	-	-	-	-	-
Special Ed. - High	309.0	309.0	-	4.0	4.0	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>961.0</b>	<b>961.0</b>	<b>-</b>	<b>12.0</b>	<b>12.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Co. Voc. -Regular												
Co. Voc. Ft. Post Sec.												
<b>Totals</b>	<b>6,284.0</b>	<b>6,279.0</b>	<b>5.0</b>	<b>72.0</b>	<b>71.0</b>	<b>1.0</b>	<b>266.0</b>	<b>266.0</b>	<b>-</b>	<b>59.0</b>	<b>59.0</b>	<b>-</b>
Percentage Error			<u>0.08%</u>			<u>1.39%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by DOE / County	DRTRS by District				
Reg. - Public Schools	327	327	-	42	40	2
Special Ed. - Public	42	42	-	5	5	-
Transported - Non - Public	-	-	-	-	-	-
Special Needs - Public	127	127	-	17	17	-
	<u>496</u>	<u>496</u>	<u>-</u>	<u>64</u>	<u>62</u>	<u>2</u>
Percentage Error			<u>0.00%</u>			<u>3.13%</u>

**EAST ORANGE BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2018  
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	1	1	-	-	-	-
One	15	15	-	4	4	-
Two	12	12	-	3	3	-
Three	9	9	-	2	2	-
Four	11	11	-	3	3	-
Five	15	15	-	4	4	-
Six	10	10	-	3	3	-
Seven	10	10	-	2	2	-
Eight	15	15	-	4	4	-
Nine	14	14	-	4	4	-
Ten	28	28	-	8	8	-
Eleven	28	28	-	7	7	-
Twelve	21	21	-	5	5	-
Subtotal	189	189	-	49	49	-
Special Ed. - Elementary	-	-	-			-
Special Ed. - Middle	-	-	-			-
Special Ed. - High	-	-	-			-
Subtotal	-	-	-	-	-	-
Co. Voc. -Regular						
Co. Voc. Ft. Post Sec.						
Totals	189.0	189.0	-	49.0	49.0	-
Percentage Error			0.00%			0.00%

**EAST ORANGE BOARD OF EDUCATION  
ENCUMBRANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Encumbrances per the June 30, 2019**

<b>Board Secretary Report (Funds 11, 12, 13)</b>					\$ 3,238,240
		Amount	Encumbrances		
	Total by	Properly	Cancelled/Reclassified		
<u>Description</u>	<u>Category</u>	<u>Encumbered</u>	<u>Through Audit</u>		
			<u>Adjustments</u>		
Tuition	\$ 182,459		\$ 182,459		
Energy	1,966,221		1,966,221		
Legal Services	80,632		80,632		
Purchased Services	121,745		121,745		
Transportation	212,182		212,182		
	<u>-</u>	<u>-</u>	<u>-</u>		
<b>Total Audited</b>	<u>2,563,239</u>	<u>-</u>	<u>2,563,239</u>		
<b>Unaudited</b>	<u>675,001</u>	<u>\$ 675,001</u>	<u>-</u>		
<b>Total Encumbrances</b>	<u>3,238,240</u>	<u>675,001</u>	<u>2,563,239</u>		
<b>Total Encumbrances Cancelled During the Audit</b>					<u>(2,563,239)</u>
<b>Add: Encumbrances for</b>					
<b>Salary Related Appropriations</b>					<u>1,964,664</u>
<b>Fund Balance Reserved for Encumbrances in the CAFR</b>					<u>\$ 2,639,665</u>



**EAST ORANGE BOARD OF EDUCATION  
ENCUMBRANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Encumbrances per the June 30, 2019  
Board Secretary Report (Funds 15)**

\$ 6,107

<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	-	-	-
<b>Total Audited</b>	-	-	-
<b>Unaudited</b>	\$ 6,107	-	-
<b>Total Encumbrances</b>	6,107	-	-
<b>Total Encumbrances Cancelled During the Audit</b>			-
<b>Fund Balance Reserved for Encumbrances in the CAFR</b>			\$ 6,107

**EAST ORANGE BOARD OF EDUCATION  
EXCESS SURPLUS CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**SECTION 1**

**Calculation A: 2% Excess Surplus:**

2018-2019 Total General Fund Expenditures Reported on Exhibit C-1	\$	229,934,263
Increased by Applicable Operating Transfers:		
Transfer from General Fund to Special Revenue Fund for Preschool		654,550
Decreased by:		
Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2		(3,536,670)
		\$ 227,052,143
Decreased by:		
On-Behalf TPAF Pension & Social Security		(31,797,756)
		195,254,387
2018-2019 General Fund Expenditures		195,254,387
2% of Adjusted 2018-2019 General Fund Expenditures		3,905,088
Increased by Allowable Adjustment		33,894
		\$ 3,938,982

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2019	\$	23,213,608
Decreased by:		
NonSpendable Fund Balance - Inventory		227,224
Restricted Fund Balances - Capital Reserve		5,741,312
Restricted Fund Balance - Maintenance Reserve		2,500,000
Restricted Fund Balances - Register Audit Recoveries		1,003,550
Assigned Fund Balance - Year End Encumbrances		2,645,772
Assigned Fund Balance - Designated for Subsequent Year's Exp.		7,190,372
		\$ 3,905,378

**SECTION 3**

<b>Restricted Fund Balance - Excess Surplus</b>	<b>\$</b>	<b>-</b>
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**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**RECOMMENDATIONS**

**I. Administration Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

1. The District's health benefit bills be reviewed on a monthly basis to ensure only active and eligible employees with the District are receiving benefits.
2. The District complete the required payroll check distribution verification in accordance with state fiscal accountability regulations.
3. The District prepare and submit certification (E-CERT1) to the state for certain administrators annual compensation.
- \* 4. 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 and cancelled at year end.
5. The District record all the transactions of its Energy Savings Refunding Bond bank account in their financial accounting records. In addition, payments to vendors be included on the bills list presented to the Board and be made part of the official minutes prior to payment by the Fiscal Agent.
6. Internal controls be reviewed to ensure transfers are made prior to the overexpenditure of available budget appropriations.
7. Employee health benefit deduction reimbursements be posted and allocated to the appropriate budget accounts in the General and School Based Budget Funds.
8. The District's revenue and appropriation reports be reviewed and in agreement with federal and state grant awards. In addition, the District reports be updated to include each local grant.
9. The reimbursement due to the state for TPAF pension and FICA for federally funded programs be filed and remitted in a timely manner.

**III. School Purchasing Programs**

It is recommended that with respect to school purchasing:

- a) Supporting state contract and cooperative purchasing documentation be retained for audit.
- b) In all instances, contracts awarded for EUS and professional services be subsequently advertised.
- c) In all instances, contracts that exceed the bid threshold, be procured in accordance with the Local Public Contracts Law.

**EAST ORANGE BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**RECOMMENDATIONS**

**IV. Food Services Fund**

- \* It is recommended that the food service management company's sales records be reconciled with the Districts sales records on a monthly basis.

**V. Student Body Activities**

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

- \* a) The cash overdraft in the Campus High Athletic account be sufficiently funded.
- \* b) Two (2) authorized signatures be required on all checks issued from the student activity accounts.

**VI. Application for State School Aid**

There are none.

**VII. Transportation**

There are none.

**VIII. Facilities and Capital Assets**

There are none.

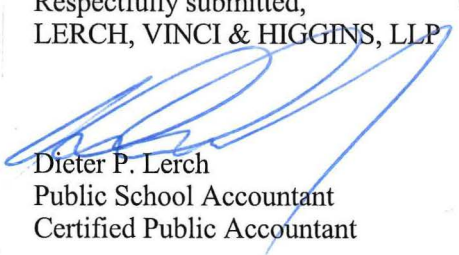
**IX. Status of Prior Years' Audit Findings/Recommendations**

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