

**EAST ORANGE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

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

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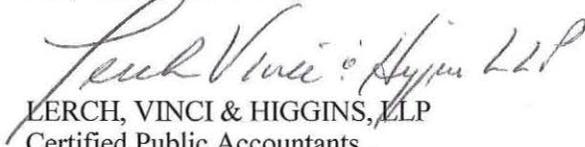
Honorable President and Members
of the Board of Trustees
East Orange Board of Education
East Orange, New Jersey

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, 2015, and have issued our report thereon dated November 16, 2015.

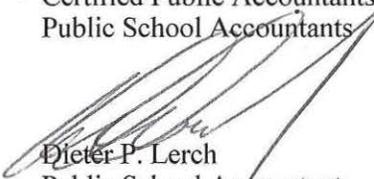
As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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 16, 2015

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 BAIG 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 – Our audit of the District's net payroll bank reconciliations revealed numerous old outstanding checks. The amount of stale checks outstanding greater than 1 year totals \$80,000.

Recommendation – Stale dated payroll checks be reviewed and cleared of record.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Checks made payable to the Essex County Credit Union for summer payroll were not cashed in a timely manner. However, the District has implemented procedures regarding future summer payroll for employees. PNC Bank will be the depository for future summer pay deposits.

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 – Our audit of encumbrances payable in the general fund revealed several purchase orders that were deemed invalid.

Recommendation – Open purchase orders be reviewed at year end and cleared of record, if no longer deemed 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 Finding 2015-001) – The District's Board Secretary reports did not reflect contributions from the General Fund to the School Based Budget and Special Revenue Funds.

Recommendation – The District Board Secretary reports properly reflect contributions to the School Based Budget and Special Revenue Funds.

Finding – Our audit revealed that health benefits, prescription and dental paid by wire transfers are not recorded in the vendor report.

Recommendation – Internal controls be enhanced to ensure payments made by wire transfer for health, prescription and dental benefits are reported in the vendor analysis report.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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.

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

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

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

Finding (CAFR 2015-004) – The IDEA Basic and IDEA Preschool grant award programs were not amended to reflect the 2013/2014 available carry over amounts.

Recommendation – The District's budget reports be amended to appropriate carry over funds available under the IDEA grant programs.

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.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

The State Department of Education conducted a review of the Elementary and Secondary Education Act (ESEA), the Individuals with Disabilities Education Act (IDEA), School Improvement Grant (SIG), English Language Art Mathematics Grant (ELAM) and Carl D. Perkins Grants. The review covered the period of July 1, 2012 through June 30, 2014.

The findings noted in the report were as follows:

- The District failed to prepare Title I school wide plans for three schools.
- The District did not have supporting documentation to support activity performed by two (2) full time teachers, (4) teacher trainers and substitute teachers funded by Title II funds.
- The District expended \$18,508 of Title II funds for several unallowable costs.
- The District expended \$559,946 of IDEA funds for purchases which were disallowed as a result of the delivery beyond the grant period and date.
- The District expended \$8,750 of SIG funds for the acquisition of gift cards.
- The District failed to provide adequate documentation to support payroll and non payroll related expenditures charged to the Carl D. Perkins grant.
- The District failed to adhere to the New Jersey Public School Contracts Law for purchases charged to the Carl D. Perkins grant.
- The District charged Carl D. Perkins expenditures to the incorrect budget accounts.
- Individual charges to the Carl D. Perkins grant were not formally approved to be charged by board resolution.

On June 16, 2015 the District approved a corrective action plan to address the findings noted in the States' monitoring report and authorized the administration and general counsel to file an appeal of the various findings. The District strongly disagrees with the findings in the report. The District's formal appeal of these findings are pending.

The State Department of Education conducted a review of the 2012/2013 Early Childhood Preschool Program. The State review was completed for the Three Stages Learning Center Preschool education provider.

The findings noted in the report were as follows:

- District recover unspent BOE funds from the provider in the amount of \$131,681.
- Several checks made payable to cash and to Three Stages Learning Center owners for the repayment of loans.
- Payment of medical benefit invoices for past due balances.
- Payment of bank fees for overdraft and returned items.
- Payments in the amount of \$25,100 to several vendors that were not supported by proper documentation.
- Insurance coverage for workers compensation and liability insurance has expired.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

On June 29, 2015 the District approved a corrective action plan to address the findings noted in the State's Early Childhood Preschool Education monitoring report. The District must continue to monitor the approved corrective action plan to ensure each finding has been properly addressed.

The State Department of Education conducted a review of 2013/2014 Early Childhood Preschool Program. The State review was completed for the East Orange YMCA.

The Findings noted in the report were as follows:

- Expenditures were recorded at budgeted amounts rather than actual amounts.
- Benefit expenditures were not reduced by employee contributions.
- Indirect costs reported did not reconcile to the general ledger or schedule of expenditures.

On August 11, 2015 the District approved a corrective action plan to address the findings noted in the States Early Childhood Preschool Education monitoring report. The District must continue to monitor the approved corrective action plan to ensure each finding has been properly addressed.

The State of Department of Education conducted a review of 2013/2014 Early Childhood Preschool Program. The State review was completed for Zadies of the Oranges.

The findings noted in the report were as follows:

- Independent audit was not completed.
- Financial activities were not accounted for in a financial management system that provided timely, accurate and complete financial information.
- Use of a credit card.
- Reported salaries inaccurately and not in agreement with payroll registers.
- Reported benefits which were not in agreement with vendor invoices.
- Unemployment and disability payroll tax thresholds were exceeded.
- Private program expenditures for rent were charged to the DOE quarterly expenditure report.
- Expenditures were not supported by vendor invoices.

On August 11, 2015 the District approved a corrective action plan to address the findings noted in the State Early Childhood Preschool Education monitoring report. The District must continue to monitor the approved corrective action plan to ensure each finding has been properly addressed.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

Finding (CAFR 2015-006) – Findings noted with regards the Early Childhood Preschool providers were as follows:

- a) Unspent BOE funds remained with the provider.
- b) Numerous unallowable and unsubstantiated expenditures by various providers.
- c) Independent audits were not filed for various providers.
- d) Financial expenditures were not filed with the District on a timely basis.

Recommendation – The District implement the following recommendations with respect to the third party providers of the Early Childhood Program:

- a) The District recover unspent funds from the provider.
- b) The District recover unallowable and unsubstantiated expenditures reported and claimed by the providers.
- c) An independent audit be filed with the District for all providers.
- d) Financial expenditures reports from third party providers be filed with the District on a timely basis.

T.P.A.F. Reimbursements

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

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, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:3-3 are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$18,300.

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.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Finding (CAFR Finding 2015-002 and 2015-005) – Our audit with respect to school purchasing revealed the following:

- a) Vendor invoices for contracts awarded to Ed Data vendors for technology services, electrical repairs, elevator repairs, maintenance and landscaping services were not detailed by time and material for services rendered.
- b) State contract documentation was not maintained on file to support purchases made thereunder.
- c) Amounts paid to two vendors exceeded the not to exceed contract amount approved in the minutes.

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

- a) Invoices for technology services, electrical repairs, elevator repairs, maintenance and landscaping services be detailed as to time and material.
- b) State contract documentation be maintained on file to support purchases made thereunder.
- c) Contract amounts “not to exceed” be modified for nursing services and waste disposal services to include tipping fees.

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.

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

Applications for free and reduced price meals were reviewed for completeness and accuracy. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completed and available for review with minor exceptions.

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.

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

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

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

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

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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:

- Pre-numbered receipts were not utilized by numerous schools.

Campus 9 (STEM Academy)

- Only one authorized check signature on checks issued.

Tyson High School

- Deposits were not made in a timely manner.

Johnnie L. Cochran, Jr. Academy

- Deposits were not made in a timely manner.

Recommendation – It is recommended that with respect to student body activities:

- a) Deposits be made timely.
- b) All checks require two signatures.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 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 several exceptions noted, primarily late filing dates of student IEP's and lunch applications that were not properly approved or classified. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

Finding – Our audit of the Application for State School Aid (A.S.S.A.) revealed the following:

- a) Certain IEP's were not updated for certain private school for the disabled students as of October 15.
- b) There were also isolated instances whereby lunch applications were not approved or properly classified as to free or reduced.

These exceptions were considered isolated and immaterial, hence no recommendation is warranted.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2014-15 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with exception. The information that was included on the workpapers was verified with immaterial exceptions noted.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Pupil Transportation (Continued)

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.

**EAST ORANGE BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	75,869	28,856	28,856	
	Reduced	75,135	29,403	29,403	
	Free	<u>1,063,625</u>	<u>430,265</u>	<u>430,265</u>	-
	Total Lunch	<u>1,214,629</u>	<u>488,524</u>	<u>488,524</u>	-
School Breakfast (Regular)	Paid	83,935	33,045	33,045	
	Reduced	54,499	21,622	21,622	
	Free	<u>639,528</u>	<u>255,794</u>	<u>255,794</u>	-
	Total Breakfast	<u>777,962</u>	<u>310,461</u>	<u>310,461</u>	-
School Snacks (Regular)	Paid	-	-	-	
	Reduced	-	-	-	
	Free	<u>47,074</u>	<u>47,074</u>	<u>47,074</u>	-
	Total Snacks	<u>47,074</u>	<u>47,074</u>	<u>47,074</u>	-
		<u>2,039,665</u>	<u>846,059</u>	<u>846,059</u>	-

NET CASH RESOURCE SCHEDULE

**Net cash resources did not exceed three months of expenditures
Proprietary Funds - Food Service
FYE 2015**

		Food Service B - 4/5	
<u>Net Cash Resources:</u>			
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 854,537
B-4		Due from Other Gov'ts	489,025
B-4		Accounts Receivable	31,009
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(556,604)
B-4		Less Due to Other Funds	(104,333)
B-4		Less Deferred Revenue	
Net Cash Resources			<u>\$ 713,634.00</u> (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	6,111,841
B-5		Less Depreciation	<u>0</u>
Adj. Tot. Oper. Exp.			<u>\$ 6,111,841</u> (B)
<u>Average Monthly Operating Expense:</u>			
B / 10			<u>\$ 611,184</u> (C)
<u>Three times monthly Average:</u>			
3 X C			<u>\$ 1,833,552</u> (D)

TOTAL IN BOX A	\$ 713,634
LESS TOTAL IN BOX D	\$ (1,833,552)
NET	<u>\$ (1,119,918)</u>
From above:	
A is greater than D, cash exceeds 3 X average monthly operating expenses.	
D is greater than A, cash does not exceed 3 X average monthly operating expenses.	

SOURCE - USDA resource management comprehensive review form

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	2015-2016 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	0		-		-			-		-							
Full Day Pre-K 3yr	248		248		-			13		13							
Half Day Pre-K 4yr					-			-		-							
Full Day Pre-K 4yr	325		325		-			14		14							
Half Day K	-		-		-			-		-							
Full Day K	746		746		-			16		16							
One	750		749		1			74		74							
Two	717		717		-			89		89							
Three	640		640		-			38		38							
Four	625		625		-			83		83							
Five	603		603		-			73		73							
Six	554		553		1			37		37							
Seven	542		542		-			92		92							
Eight	544		544		-			379		379							
Nine	571		571		-			12		12							
Ten	494		494		-			292		292							
Eleven	467		467		-			102		102							
Twelve	446		446		-			266		266							
Adult School (15+cr)	-		-		-			-		-							
Subtotal	8,272	-	8,270	-	2	-		1,580	-	1,580	-	-	-	-	-	-	-
Sp. Ed. - Elementary	466		465		1			11		11			24	16	13	3	
Sp. Ed. - Middle School	354		354		-			51		51			22	15	13	2	
Sp. Ed. - High School	440	10	440	10	-			8		8			92	61	60	1	
Subtotal	1,260	10	1,259	10	1	-		70	-	70	-	-	138	92	86	6	
Totals	9,532	10	9,529	10	3	-		1,650	-	1,650	-	-	138	92	86	6	
Percentage Error					0.03%	0						0.00%	0.00%				6.52%

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as 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	-	-	-	9	9	-			-			-
Full Day Pre-K 4yr	-	-	-	9	9	-			-		2	(2)
Full Day Kindergarten	661	661	-	37	36	1	25	25	-	6	6	-
One	653	653	-	38	36	2	17	17	-	4	4	-
Two	626	626	-	35	34	1	24	24	-	5	5	-
Three	544	544	-	28	27	1	27	27	-	5	5	-
Four	553	553	-	31	30	1	15	13	2	3	3	-
Five	540	540	-	30	30	-	16	16	-	4	4	-
Six	469	469	-	26	24	2	10	10	-	2	2	-
Seven	464	464	-	26	25	1	12	12	-	3	3	-
Eight	423	423	-	22	22	-	19	20	(1)	4	4	-
Nine	449	449	-	25	24	1	29	29	-	6	5	1
Ten	392	392	-	23	22	1	24	24	-	5	5	-
Eleven	358	358	-	18	18	-	24	24	-	5	5	-
Twelve	322	322	-	19	19	-	17	17	-	4	4	-
Adult School (15+ credits)	0	-	-	0	0	-			-			-
Subtotal	6,454.0	6,454.0	-	376.0	365.0	11.0	259.0	258.0	1.0	56.0	57.0	(1.0)
Special Ed. - Elementary	416	416	-			-			-			-
Special Ed. - Middle	315	315	-			-			-			-
Special Ed. - High	340	340	-			-			-			-
Subtotal	1,071	1,071	-	-	-	-	-	-	-	-	-	-
Co. Voc. -Regular												
Co. Voc. Ft. Post Sec.												
Totals	7,525.0	7,525.0	-	376.0	365.0	11.0	259.0	258.0	1.0	56.0	57.0	(1.0)

Percentage Error 0.00% 2.93%

Transportation

	Reported on DRTRS by BOE	Reported on DRTRS by District	Errors(1)	Tested	Verified	Errors
	Reg. - Public Schools	396				
Special Ed. - Public	280	280	-	23	21	2
Transported - Non - Public			-			-
Special Needs - Public	208	208	-	15	15	-
	<u>884</u>	<u>884</u>	<u>-</u>	<u>68</u>	<u>66</u>	<u>2</u>

Percentage Error 0.00% 2.94%

**EAST ORANGE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on ASSA as 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	2.0	2.0	-	1.0	1.0	-
One	2.0	2.0	-	1.0	1.0	-
Two	3.0	3.0	-	2.0	2.0	-
Three	1.0	1.0	-	1.0	1.0	-
Four	-		-	-	-	-
Five	-		-	-	-	-
Six	2.0	2.0	-	2.0	2.0	-
Seven	1.0	1.0	-	1.0	1.0	-
Eight	3.0	3.0	-	3.0	3.0	-
Nine	5.0	5.0	-	4.0	4.0	-
Ten	2.0	2.0	-	2.0	2.0	-
Eleven	1.0	1.0	-	1.0	1.0	-
Twelve	7.0	7.0	-	7.0	7.0	-
Subtotal	29.0	29.0		25.0	25.0	-
Special Ed. - Elementary	1.0		1.0			-
Special Ed. - Middle	-		-			-
Special Ed. - High	-					-
Subtotal	1.0			-	-	-
Co.Voc. -Regular						
Co.Voc. Ft. Post Sec.						
Totals	30.0	29.0	-	25.0	25.0	-
Percentage Error			0.00%			0.00%

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Encumbrances per the June 30, 2015

Board Secretary Report (Funds 11, 12, 13) \$ 796,652

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled/Reclassified Through Audit Adjustments</u>
Tuition	\$ 52,768	\$ -	
Cleaning Repair & Maintenance Services	93,285		
Communication	40,030		
Other Purchased Services	221,944		
Transportation	42,751		
Supplies			
Payroll		-	
Equipment		-	
Various	-	-	-
Total Audited	<u>450,778</u>	<u>314,743</u>	<u>-</u>
Unaudited	<u>345,874</u>	<u>345,874</u>	<u>-</u>
Total Encumbrances	<u>796,652</u>	<u>660,617</u>	<u>-</u>
Total Encumbrances Cancelled During the Audit			<u>-</u>
Add: Unrecorded Encumbrances for Salary Related Appropriations			<u>2,732,000</u>
Fund Balance Reserved for Encumbrances in the CAFR			<u>\$ 3,528,652</u>

**EAST ORANGE BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Encumbrances per the June 30, 2015
Board Secretary Report (Funds 15)**

\$ 142,508

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled Through Audit Adjustments</u>
Other Purchased Services	41,719	5,805	
		-	
		-	
		-	
		-	-
	-	-	-
	<hr/>	<hr/>	<hr/>
Total Audited	41,719	5,805	-
Unaudited	100,789	5,805	-
Total Encumbrances	<hr/>	<hr/>	<hr/>
	142,508	11,610	-

Total Encumbrances Cancelled During the Audit

-

Fund Balance Reserved for Encumbrances in the CAFR

\$ 142,508

**EAST ORANGE PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1

Calculation A: 2% Excess Surplus:

2014-2015 Total General Fund Expenditures Reported on Exhibit C-1	\$ 222,398,274
Increased by Applicable Operating Transfers:	
Transfer from General Fund to Special Revenue Fund for Preschool	693,823
Decreased by:	
Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2	(1,983,126)
	<u>\$ 221,108,971</u>
Decreased by:	
On-Behalf TPAF Pension & Social Security Assets Acquired Under Capital Leases	(19,267,707)
2014-2015 General Fund Expenditures	<u>201,841,264</u>
2% of Adjusted 2015-2015 General Fund Expenditures	<u>4,036,825</u>
Increased by Allowable Adjustment	<u>136,916</u>
Maximum Unassigned Fund Balance	<u>\$ 4,173,741</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2015	\$ 29,112,923
Decreased by:	
NonSpendable Fund Balance - Inventory	255,988
Restricted Fund Balances - Excess Surplus Desig. For Sub. Year's Exp.	4,886,545
Restricted Fund Balances - Capital Reserve	2,235,304
Restricted Fund Balances - Equipment Lease Proceeds	497,157
Restricted Fund Balance - Emergency Reserve	1,000,000
Restricted Fund Balance - Maintenance Reserve	2,195,654
Restricted Fund Balances - Register Audit Recoveries	2,433,570
Assigned Fund Balance - Year End Encumbrances	3,671,160
Assigned Fund Balance - SEMI/ARRA	228,007
Assigned Fund Balance - Designated for Subsequent Year's Exp.	3,822,146
Total Unassigned Fund Balance	<u>\$ 7,887,392</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	<u>\$ 3,713,651</u>
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Recapitulation of Excess Surplus as of June 30, 2015

Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 4,886,545
Restricted Excess Surplus	<u>3,713,651</u>
Total	<u>\$ 8,600,196</u>

Detail of Allowable Adjustments

Extraordinary Aid	<u>\$ 136,916</u>
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**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Stale dated payroll checks be reviewed and cleared of record.
2. Open purchase orders be reviewed at year end and closed of record if no longer deemed valid.
3. The District Board Secretary reports properly reflect contributions to the School Based Budget and Special Revenue Funds.
4. Internal Controls be enhanced to ensure payments made by wire transfer for health, prescription and dental benefits are reported in the vendor analysis report.
- * 5. The final reports for Title I, Title II and IDEA grant funds be reconciled and be in agreement with the District records.
6. The District's budget reports be amended to appropriate carry over funds available under the IDEA grant programs.
7. The District implement the following recommendations with respect to the third party providers of the Early Childhood Program:
 - a) The District recover unspent funds from the providers.
 - b) The District recover unallowable and unsubstantiated expenditures reported and claimed by the providers.
 - c) An independent audit be filed with the District for all providers.
 - d) Financial expenditures reports from third party providers be filed with the District on a timely basis.

III. School Purchasing Programs

It is recommended that with respect to school purchasing:

- a) Invoices for technology services, electrical repairs, elevator, maintenance and landscaping services be detailed as to time and material so that charges can verify to Ed Data bid.
- b) State contract documentation be maintained on file to support purchases made thereunder.
- c) Contract amounts "not to exceed" be modified for nursing services and waste disposal services to include tipping fees.

**EAST ORANGE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

RECOMMENDATIONS

IV. Food Services Fund

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

V. Student Body Activities

It is recommended that with respect to student body activities:

- a) Deposits be made timely.
- b) All checks require two signatures.

VI. Application for State School Aid

There are none.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

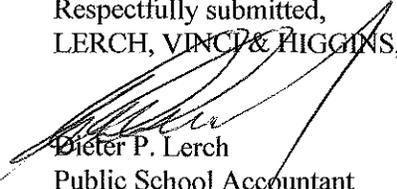
IX. Status of Prior Years' Audit Findings/Recommendations

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