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EXECUTIVE SUMMARY

Honorable President and Members
Of the Board of Education
Edgewater Board of Education
Edgewater, New Jersey

In accordance with the terms of our engagement, we have prepared our agreed-upon procedures report on the special examination of the District's Business Office for the period July 1, 2017 to December 31, 2019.

The following is a summary of our findings resulting from performing our agreed-upon procedures.

- There were weak controls over the budget preparation and development process resulting in the inability to make reasonable estimates of expenditures. The District's operating budget for the 2017/2018, 2018/2019, and 2019/2020 did not appear to be based or supported by an accurate position control roster or based on reasonable estimates at the time the budget was developed.
- Shortages in the budgets in these years were mitigated by the appropriation of additional state aid, appropriation of fund balance, and the reallocation of expenses to the Pre-K Tuition Enterprise Fund and in limited instances to the Food Service Enterprise Fund in the 2017/2018 and 2018/2019 school year until those sources were depleted and no longer available in 2019/2020.
- The culmination of the inadequate budget preparation and development over the previous years compounded by the utilization of fund balance and reallocation of expenditures would have resulted with the District being in a deficit fund balance position for the 2019/2020 school year if the State Monitor did not secure the State Aid Advance Loan of \$1.8 million in the spring of 2020.

- The accounting practices and procedures, and the processing and recording of financial transactions were questionable and non-compliant with the requirements of New Jersey Statutes and N.J. Department of Education accounting practices and procedures prescribed for New Jersey public school districts. Management provided inadequate internal controls, oversight and segregation of duties over financial transactions and processes. There were insufficient independent checks of financial information recorded in the District's accounting records. Certain estimates utilized were not consistently applied, nor was documentation provided to support how expenditure amounts were allocated or charged to specific accounts.
- Inadequate financial reporting by management to those charged with governance regarding monthly financial reports, budget transfers, certifications and approval to pay claims were not in compliance with the requirements of the New Jersey Administration Codes "Fiscal Accountability, Efficiency and Budgeting" regulations.

Our agreed-upon procedure report which follows this executive summary provides a detail description of our procedures and findings from our special examination of the District's Business Office for the period from July 1, 2017 to December 31, 2019. We look forward to discussing this report with you.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Jeffrey C. Bliss
Certified Public Accountant