



State of New Jersey  
DEPARTMENT OF EDUCATION  
PO Box 500  
TRENTON, NJ 08625-0500

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

CHRISTOPHER D. CERF  
Acting Commissioner

November 23, 2011

Cami Anderson  
State District Superintendent  
Newark Public Schools  
2 Cedar Street  
Newark, New Jersey 07102

Dear Ms. Anderson:

Attached is the internal audit report on early childhood provider Ironbound Community Corporation. In accordance with N.J.A.C. 6A:23A-5.6 the Newark Public Schools are required to publicly review and discuss the findings in the report at the next regularly scheduled public board meeting. Within 30 days of the public meeting the district board of education shall adopt a resolution certifying that the findings were discussed in a public meeting and approving a corrective action plan to address the issues raised in the findings. The resolution shall be submitted to the Internal Audit Unit within 10 days of adoption. The findings of the audit and the board of education's corrective action plan shall be posted on the district's web site.

Should you have any questions, please feel free to contact Walter Szeluga (ext. 6671) or myself.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Hoffmann".

Steven Hoffmann  
Coordinating Auditor  
NJ Department of Education  
(973) 621-2750

c: Christopher Cerf  
Ellen Wolock  
Robert Cicchino  
✓Walter Szeluga

**NEW JERSEY DEPARTMENT OF EDUCATION**

**NEWARK INTERNAL AUDIT UNIT**

**IRONBOUND COMMUNITY CORPORATION**

**IRONBOUND CHILDREN'S CENTER**

**2009-2010 FISCAL YEAR**

**NOVEMBER 2011**

**Confidential: This report is solely for management purposes and is not intended for any other use.**

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
IRONBOUND COMMUNITY CORPORATION  
IRONBOUND CHILDREN'S CENTER  
2009-2010 FISCAL YEAR**

Distribution List of Final Audit Report

Christopher D. Cerf, Acting Commissioner  
New Jersey Department of Education

Cami Anderson, State District Superintendent  
State Operated School District of Newark

Bari Erlichson, Assistant Commissioner  
New Jersey Department of Education

Ellen Wolock, Director, Office of Preschool Education  
New Jersey Department of Education

Robert Cicchino, Director Office of Fiscal Accountability and Compliance  
New Jersey Department of Education

Steven C. Hoffmann, Coordinating Auditor  
New Jersey Department of Education

Walter S. Szeluga, Supervising Auditor  
Newark Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
IRONBOUND COMMUNITY CORPORATION  
IRONBOUND CHILDREN'S CENTER  
2009-2010 FISCAL YEAR**

**EXECUTIVE SUMMARY**

The Newark Internal Audit Unit conducted an audit of the New Jersey Department of Education (NJDOE) funded preschool program for Ironbound Community Corporation operating the Ironbound Children's Center. The audit was for the 2009-2010 contract year.

The more significant deficiencies noted were:

- The auditors determined that the provider under spent the approved budget by \$75,089. The majority of the under spent lines were teacher and teacher assistant salaries, substitute teacher and substitute teacher assistant stipends, related payroll taxes and food for NJDOE children. The district withheld \$89,952 from the provider's payments leaving a balance due to the provider of \$14,863.
- The Newark Office of Early Childhood (NOEC) did not have a completed Criminal History Record Information (CHRI) for the director. The provider did not obtain the completed CHRI for the director until May 2010.
- The provider did not obtain signed waivers from three NJDOE Preschool Program employees choosing to waive medical and dental benefit coverage.

**DETAILED FINDINGS**

The Newark Internal Audit Unit reviewed the expenditure reports and supporting documentation for Ironbound Children's Center for the period July 2009 through June 2010 for compliance with the executed contract and approved budget. During this year, the providers were given expenditure guidance that must be used to document and justify all expenditures relating to the NJDOE funded preschool program. As per New Jersey Administrative Code 6A:13A, the Newark Public Schools (district) shall monitor the expenditures at least quarterly and must recoup any unexpended or misspent funds based on the quarterly expenditure reports, enrollment records and monthly payments made by the school district. Each provider must submit to the district a quarterly report of actual, approvable, reasonable and customary expenditures with supporting documentation and receipts. The quarterly report must include expenditures for all district-approved budget lines for the school year. The quarterly report must be signed and certified by an officer of the corporation. All providers must complete the "2009-2010 Private Provider One-Year Planning Budget Worksheet" and file it with the district prior to the start of the fiscal year. This worksheet will serve as the basis for the quarterly reports. Providers will be reimbursed only for costs that are allowable and documented through quarterly expenditure reports.

The provider may submit budget modification requests to the district. The district may set a date past which the requests will no longer be accepted for the budget year and must notify the providers of that date prior to the fourth quarter of the budget year. The NOEC set a transfer deadline of Monday May 3, 2010. The Newark Director of Early Childhood (NDEC) on June 2, 2010 approved transferring \$8,000 from Director Benefits and \$300 from Substitute Teacher Salaries to Utilities (\$3,800) and Insurance (\$4,500). The NDEC did not approve transferring \$11,500 from Substitute Teacher Salaries to Teacher, Teacher Assistant and Floating Teacher Assistant Salaries (\$4,000) and Building Grounds and Maintenance (\$7,500).

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
IRONBOUND COMMUNITY CORPORATION  
IRONBOUND CHILDREN'S CENTER  
2009-2010 FISCAL YEAR**

The audit scope included determining whether or not:

- The day care center had a current license.
- The NJDOE funded preschool employees, employed during the contract period, have CHRI results, Child Abuse Record Information (CARI) results, applicable teaching credentials and TB test results on file. The contract has a provision that the provider shall provide proof to the district, prior to the commencement of the program, that each individual employed by the contracted child care center has had a criminal history background check and that said check indicates that no criminal history record information exists on file which would disqualify said employee from employment pursuant to law.
- The provider maintained a financial system that provides timely, accurate and complete disclosure of all financial activities related to the NJDOE funded preschool agreement.
- The provider properly handled NJDOE funded preschool cash receipts and disbursements; completed a year - end bank reconciliation for each bank account handling this funding.
- The provider maintained the proper insurance as required by the contract.
- The provider submitted the proper supporting documentation with the quarterly expenditure reports.
- The provider based all benefit expenditures on a written uniform policy.
- The provider annually obtained signed waivers from staff members choosing to opt out of benefit coverage. The waivers must indicate proof of insurance from another source.

Below is a summary of the audit findings:

**IRONBOUND COMMUNITY CORPORATION:**

Ironbound Community Corporation, a not for-profit organization, operates Ironbound Children's Center providing services to the children in Newark, New Jersey. The provider is located at 1 New York Avenue and serves a total of 90 children in the NJDOE preschool program. The approved budget was \$2,177,417. The NOEC paid the provider \$2,087,465 of the approved budget.

**1. NJDOE Education Preschool Program:**

The NJDOE funds the six-hour educational component of the NJDOE preschool program and the New Jersey Department of Human Services (NJHHS) funds the wrap around component. The provider shall submit to the NOEC a quarterly expenditure report of actual, approvable, reasonable and customary expenditures with supporting documentation and receipts. The quarterly report shall include expenditures for all approved budget lines for the school year including all approved salaries, benefits, payroll taxes, substitute stipends, classroom materials and supplies, start-up classroom materials/supplies and technology, if applicable, field trips and transportation, space costs, food costs, and all allowable administrative and indirect costs as itemized under the Administrative Support and Indirect Costs section of the Private Provider Expenditure Guidance for school year 2009-2010. The contract states that based on the district review of the quarterly expenditure reports, the district shall make prorated adjustments to subsequent monthly payments.

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
IRONBOUND COMMUNITY CORPORATION  
IRONBOUND CHILDREN'S CENTER  
2009-2010 FISCAL YEAR**

Providers will be reimbursed only for costs that are allowable and documented through quarterly expenditure reports in strict accordance with the approved budget. Unexpended funds will be recouped by the district.

Salaries that do not relate back to the provider's Schedule A are non-allowable salary costs. All benefit expenditures must be based on a written, uniform policy based on an equitable standard of distribution. Non allowable benefit and pension costs include the cost of benefits that do not relate back to the provider's written policy. Providers must obtain waivers from any staff member choosing to opt out of benefit coverage. Waivers must be signed annually, and must indicate proof of insurance from another source.

The NOEC paid the provider \$2,087,465. The auditors reviewed the documentation submitted. The auditors determined that the provider under spent the budget by \$75,089. The NOEC withheld \$89,952. The provider is due \$14,863.

**Recommendation:**

The auditors recommend that the NOEC pay \$14,863 to the provider.

**2. Personnel File Review:**

The NJDOE funded preschool program employees, employed during the contract period should have CHRI results, CARI results, applicable teaching credentials, and TB test results on file with the provider. Per the contract, the provider must provide copies of all the above except the TB test results to the NOEC. The auditors requested the CHRI results, CARI results and applicable teaching credentials from the NOEC. The TB test results were requested from the provider. The auditors reviewed the documentation provided by the NOEC for the NJDOE preschool program employees and noted the NOEC did not have a completed CHRI for the director. The provider did not obtain the completed CHRI for the director until May 2010.

**Recommendation:**

The auditors recommend that the NOEC personnel reviewing the provider expenditure reports notify the certification supervisor of all employees working in the NJDOE program. The certification supervisor should verify that the NOEC has all applicable credentials, CHRI results and CARI results for these employees. The supervisor should pursue the provider for all missing or incomplete documentation. The auditors recommend that the NOEC retain these documents for future audit purposes. The auditors recommend that the NOEC obtain a copy of the CHRI for the director.

**3. Benefits:**

The NJDOE funded Preschool Program guidance states all benefit expenditures must be based on a written, uniform policy based on an equitable standard of distribution, such as years of service or education. Providers must obtain waivers from any staff member choosing to opt out of benefit coverage. Waivers

NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
IRONBOUND COMMUNITY CORPORATION  
IRONBOUND CHILDREN'S CENTER  
2009-2010 FISCAL YEAR

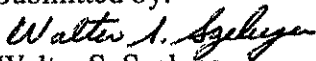
must be signed annually, and must indicate proof of insurance from another source. The NOEC stated they did not obtain the written benefit policies from the providers in 2009-2010.

The auditors did not receive waivers for three employees who did not have medical and dental coverage.

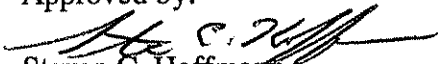
**Recommendation:**

The auditors recommend that the provider annually obtain waivers from all employees who opt out of coverage and ensure that the signed waivers include proof of insurance from another source.

Submitted by:

  
Walter S. Szeluga  
Supervising Auditor

Approved by:

  
Steven C. Hoffmann  
Coordinating Auditor