



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

May 11, 2011

Deborah Terrell
Interim State District Superintendent
Newark Public Schools
2 Cedar Street
Newark, New Jersey 07102

Dear Ms. Terrell,

Attached is the internal audit report on early childhood provider Tri-City Peoples Corporation Day Care Center. 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 or myself.

Sincerely,

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

TRI-CITY PEOPLES CORPORATION DAY CARE CENTER

2009-2010 FISCAL YEAR

APRIL 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
TRI-CITY PEOPLES CORPORATION DAY CARE CENTER
2009-2010 FISCAL YEAR**

Distribution List of Final Audit Report

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

Deborah Terrell, Interim State District Superintendent
State Operated School District of Newark

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

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EXECUTIVE SUMMARY

The Newark Internal Audit Unit conducted an audit of Tri-City Peoples Corporation Day Care Center (Tri-City), a provider participating in the Department of Education (DOE) funded preschool program, for compliance with the terms of the 2009-2010 contract and budget.

The following deficiencies were noted:

- The auditors determined that the provider under spent the approved budget by \$52,071. The majority of the under spent lines were educational employee salaries and applicable taxes. The Newark Public Schools (district) withheld \$46,743 from the provider's payments leaving a balance due back to the district of \$5,328.
- The Newark Office of Early Childhood (NOEC) did not have the current Child Abuse Record Information background check (CARI) results for 16 employees on file. The NOEC did not have Criminal History Record Information (CHRI) background check results for three employees and did not have the provider resolve one incomplete result dated March 11, 2009. The provider did not have a Mantoux Tuberculin (TB) result for one employee.
- The provider did not have a benefits waiver for three employees and the waivers for three other employees were done late.

DETAILED FINDINGS

The Newark Internal Audit Unit reviewed the expenditure reports and supporting documentation for Tri-City 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 DOE funded preschool program. As per New Jersey Administrative Code 6A:13A, the 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 budget transfer 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 district set a modification deadline of Monday May 3, 2010. The provider submitted a modification request dated May 4, 2010. Most of the request was approved by the Director of Early Childhood on June 2, 2010. The auditors adjusted the budget for the approved modification budget lines.

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The audit scope included determining whether or not:

- The provider had a current license.
- The DOE funded preschool employees, employed during the contract period, have CHRI results, 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 DOE funded preschool agreement.
- The provider properly handled DOE 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:

TRI-CITY PEOPLES CORPORATION DAY CARE CENTER:

Tri-City, a non-profit organization, operates a childcare center providing services to the children in Newark, New Jersey. The center is located at 675-681 So. 19th Street Newark, NJ and serves 60 children in the DOE preschool program. The approved budget was \$638,318. The NOEC paid the provider \$591,575 of the approved budget.

1. Abbott Preschool Program

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. It also includes expenditures for 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.

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.

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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 \$591,575. The auditors reviewed the documentation submitted. Based on their review, the auditors determined the provider under spent the approved budget by \$52,071. The NOEC withheld \$46,743 resulting in \$5,328 due back to the district.

Recommendation:

The auditors recommend that the district recover \$5,328 from the provider.

2. PERSONNEL FILE REVIEW:

The DOE funded preschool program employees, employed during the contract period shall have CHRI results, CARI results, applicable teaching credentials, and Mantoux tuberculin 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 personnel documentation from the NOEC except for the TB test results which were requested from the provider. The auditors reviewed the documentation provided by the NOEC for the DOE preschool program employees and noted the following were missing:

- A current CARI background check for 16 employees.
- A CHRI for three employees.
- Resolution of one incomplete CHRI dated March 11, 2009.

The auditors obtained all 16 of the CARI's from the provider. One of the 16 was completed late (August 25, 2010). The auditors obtained the CHRI for the three employees from the provider. The provider did not resolve the incomplete CHRI for the one employee. The provider did not have a TB test result for one employee. The provider would send copies of the above to the certification supervisor.

Recommendation:

The auditors recommend that the NOEC personnel reviewing the provider expenditure reports notify the certification supervisor of all employees working in the DOE 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.

3. BENEFITS:

The DOE funded Preschool Program guidance for 2009-2010 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


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education. 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 provider did not have waivers for three employees and the waivers for three employees were done late (August 25, 2010).

Recommendation:

The auditors recommend that the provider obtain waivers annually that show proof of insurance from another source. The auditors recommend that the NOEC ensure all waivers are completed annually.

Submitted by:


Walter S. Szeluga
Supervising Auditor

Approved by:


Steven C. Hoffmann
Coordinating Auditor