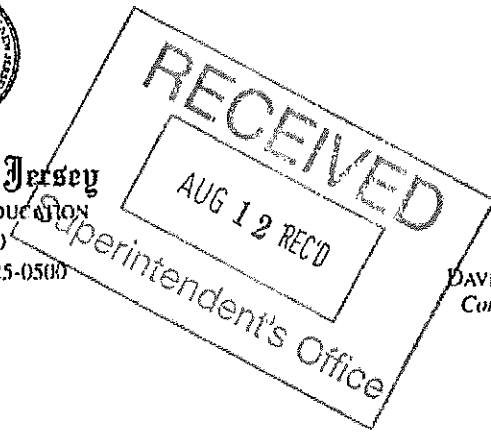




State of New Jersey  
DEPARTMENT OF EDUCATION  
PO Box 500  
TRENTON, NJ 08625-0500



DAVID C. HESPE  
Commissioner

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

August 1, 2016

Mr. Christopher Cerf  
State District Superintendent  
Newark Public Schools  
2 Cedar Street  
Newark, New Jersey 07102

Dear Mr. Cerf:

Attached is the internal audit report on early childhood provider Tri-City Peoples 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 Clarence Joffrion or myself.

Sincerely,

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

c: Robert Cicchino  
Ellen Wolock  
Clarence Joffrion

**STATE OF NEW JERSEY**  
**DEPARTMENT OF EDUCATION**

**NEWARK INTERNAL AUDIT UNIT**  
**TRI-CITY PEOPLES CORPORATION**

**2014-2015 FISCAL YEAR**

**JULY 2016**

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  
2014-2015 FISCAL YEAR**

**Distribution List of Final Audit Report**

David Hesse, Commissioner  
New Jersey Department of Education

Christopher Cerf, State District Superintendent  
State Operated School District of Newark

Robert Bumpus, Assistant Commissioner  
Division of Field Services  
New Jersey Department of Education

Ellen Wolock, Director  
Division of Early Childhood 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

Clarence Joffrion, Supervising Auditor  
Newark Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
TRI-CITY PEOPLES CORPORATION  
2014-2015 FISCAL YEAR**

**EXECUTIVE SUMMARY**

The Newark Internal Audit Unit conducted an audit of the childcare center operated by Tri-City Peoples Corporation (provider), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for the 2014-2015 fiscal year.

As a result of the audit, the following deficiencies were noted:

- The provider under spent the approved budget. As a result, the provider owes the district a balance of \$13,576.
- The provider failed to maintain a financial management system that provided accurate and complete disclosure of all financial activities related to the NJDOE agreement.
- The provider failed to maintain continuous workers compensation insurance as required by the NJDOE contract.
- The provider failed to file Employer's Quarterly Federal Tax Returns for the first and second quarters of 2015.

**DETAILED FINDINGS**

The Newark Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for the provider for the period July 1, 2014 through June 30, 2015. During this period, funds were allocated based on a presumptive budget submitted by the provider and approved by the district. The NJDOE budget should reflect actual costs based on a six hour day and 191 day school year.

The audit scope included detailed testing to determine whether or not:

- The provider had a current license.
- The NJDOE employees had criminal history record information (CHRI) results, child abuse record information (CARI) results, Mantoux Tuberculosis (TB) test results, and applicable credentials on file. The contract requires the provider to provide proof to the district, prior to the commencement of the program, each individual employed by the contracted childcare center has had a criminal history background check and said check indicates that no criminal history record information exists on file in either the Identification Division of the Federal Bureau of Investigation or the State Bureau of Identification, which would disqualify said employee from employment pursuant to law, or the check reveals a disqualifying offense and the individual has demonstrated rehabilitation.
- The provider properly filed federal and state tax returns.

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NEWARK INTERNAL AUDIT UNIT  
TRI-CITY PEOPLES CORPORATION  
2014-2015 FISCAL YEAR**

The provider maintained a financial system that provides timely, accurate, current and complete disclosure of all financial activities related to the NJDOE agreement.

- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling NJDOE funding.
- The provider maintained the proper insurance as required by the contract.
- The provider submitted the proper supporting documentation with the quarterly expenditure reports.

Below is a summary of our findings:

**TRI-CITY PEOPLES CORPORATION:**

Tri-City Peoples Corporation is a 501(C) (3) non-profit childcare center providing services to the children of Newark, New Jersey. The center is located at 675 South 19<sup>th</sup> Street, Newark New Jersey, and was budgeted to serve a total of 60 NJDOE children. The 2014-2015 approved budget totaled \$789,800.

**1. NJDOE Preschool Program.**

The NJDOE funds the six hour educational component of the preschool program. The Statement of Assurance signed by the director of the childcare center certifies the expenditure report is accurate and complete with all supporting documentation. The provider shall submit all supporting documentation including receipts for all expenditures related to the NJDOE with each quarterly expenditure report. The District Department of Early Childhood Education (district) shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the NJDOE contract.

Based on the results of this audit, the provider underspent the approved budget by \$13,576 (see exhibit A).

**Recommendation:**

The auditor recommends that the district recovers \$13,576 from the provider.

**2. The provider failed to maintain a financial management system that provided accurate and complete disclosure of all financial activities related to the NJDOE contract.**

The auditor determined that the provider did not maintain an adequate financial management system as required under Section III (M) of the Preschool Educational Program Contract, which states "The provider shall maintain a current and complete disclosure of all financial activity related to the agreement in accordance with "GAAP". The provider failed to

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
TRI-CITY PEOPLES CORPORATION  
2014-2015 FISCAL YEAR**

maintain a preschool accounting system of all financial activities related to the agreement. The provider also failed to maintain a general ledger and account reconciliation of all financial activities related to the agreement.

**Recommendation:**

The auditor recommends that the provider implement a financial management system that provides accurate and complete disclosure, a general ledger that reflects cash receipts, disbursements, and records all budgeted cash receipts and expenditures related to the agreement.

**3. The provider failed to maintain continuous workers compensation insurance as required by the NJDOE contract.**

The auditor determined that the provider did not maintain Workers Compensation Insurance as required by Section XV (C) of the Preschool Education Program Contract. The current policy lapsed and was renewed 15 days later.

**Recommendation:**

The auditor recommends that the provider takes every precaution to insure that all required insurance is maintained in accordance with the program contract.

**4. The provider is in arrears on Federal employment tax payments.**

Based on a review of the providers Quarterly Employers Federal Tax Returns (Forms 941), the provider has been consistently in arrears on their federal payroll tax payments. The most recent Form 941 for the first quarter of 2016 indicates the \$132,932.37 tax liability due was not paid in a timely manner.


**Recommendation:**

The provider must provide evidence to the district that all back taxes have been remitted. The district should consider terminating the provider's contract should tax liabilities remain unpaid.

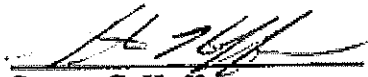
**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
TRI-CITY PEOPLES CORPORATION  
2014-2015 FISCAL YEAR**

**Auditor:  
Temple Garretson-White**

**Submitted by:**

  
**Clarence Joffrion  
Supervising Auditor**

**Approved by:**

  
**Steven C. Hoffmann  
Coordinating Auditor**

TRICITY PEOPLE CORPORATION  
2014/2015 Fiscal Year  
Budget vs. Actual

DOE Share of Costs in Contracted Classrooms	Total Cost	BUDGET TRANSFER	ADJUSTED BUDGET WITH TRANSFERS	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	YTD TOTAL PER AUDITOR	APPROVED BY AUDITOR	BUDGET MINUS YTD PER AUDITORS
<b>EDUCATIONAL PROGRAM COSTS</b>							
Teacher Salary	\$218,924	\$-11,804	\$207,120	\$207,120	\$207,120	\$207,120	\$0
Teacher Assistant Salary	\$105,944	\$-7,213	\$98,731	\$98,433	\$98,102	\$98,102	\$629
Floating Teacher Assistant Salary	\$28,172	\$0	\$28,172	\$28,883	\$28,883	\$28,883	\$2,289
Teacher/Assistant Teacher Floater Benefits	\$91,188	\$3,647	\$87,541	\$87,541	\$113,170	\$87,541	\$0
Substitute Teacher Stipend	\$10,080	\$-7,810	\$2,270	\$2,270	\$2,925	\$2,270	\$0
Substitute Assistant Teacher Stipend	\$6,750	\$-6,600	\$150	\$150	\$150	\$150	\$0
Classroom Materials and Supplies	\$8,000	\$-3,754	\$4,246	\$4,246	\$4,116	\$4,116	\$130
Classroom Technology	\$2,400	\$0	\$2,400	\$0	\$0	\$0	\$2,400
Field Trips w/ Transportation	\$0	\$0	\$0	\$4,426	\$0	\$0	\$0
Family Worker Salary	\$24,599	\$0	\$24,599	\$27,808	\$28,100	\$24,599	\$0
Family Worker Benefits	\$11,682	\$-8,441	\$3,241	\$3,241	\$5,955	\$3,241	\$0
<b>Food-Related Costs (CACFP participant, non-reimbursable costs)</b>							
Food (for contracted preschool children only)	\$14,363	\$-4,102	\$10,261	\$10,000	\$0	\$0	\$10,261
Food Worker Salary (cook)	\$12,729	\$0	\$12,729	\$13,670	\$10,472	\$10,472	\$2,257
Food Worker Benefits (cook)	\$4,985	\$0	\$4,985	\$4,307	\$0	\$3,697	\$1,298
Assistant Food Worker Salary (asst. cook)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Assistant Food Worker Benefits (asst. cook)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Employer Payroll Taxes (For Educational Program Positions only)</b>							
Social Security (6.20%)	\$25,308	\$0	\$25,308	\$24,672	\$22,915	\$22,915	\$2,393
Medicare (1.45%)	\$5,991	\$0	\$5,991	\$5,630	\$5,359	\$5,359	\$560
Unemployment (2.80%)	\$11,569	\$0	\$11,430	\$10,871	\$8,610	\$8,610	\$2,820
Disability (0.50%)	\$2,066	\$0	\$2,041	\$1,941	\$2,324	\$2,041	\$0
<b>SUBTOTAL Educational Program Costs</b>	<b>\$995,894</b>	<b>\$-453,373</b>	<b>\$532,153</b>	<b>\$532,408</b>	<b>\$530,201</b>	<b>\$537,115</b>	<b>\$25,058</b>
<b>ADMINISTRATIVE SUPPORT AND INDIRECT COSTS</b>							
<b>SUPPORT COSTS</b>							
Director Salary	\$43,983	\$19,017	\$63,000	\$43,982	\$58,192	\$58,192	\$4,848
Director Benefits	\$242	\$0	\$242	\$2,014	\$242	\$242	\$0
Clerical Salary	\$13,064	\$4,102	\$17,166	\$11,984	\$15,366	\$15,366	\$1,780
Clerical Benefits	\$191	\$0	\$191	\$161	\$230	\$161	\$30
Custodian Salary	\$19,802	\$7,914	\$27,716	\$19,349	\$24,752	\$24,752	\$2,964
Custodian Benefits	\$10,503	\$0	\$10,503	\$8,890	\$15,335	\$10,503	\$0
Security Guard Salary	\$13,069	\$0	\$13,069	\$13,320	\$13,723	\$13,069	\$0
Security Guard Benefits	\$5,022	\$0	\$5,022	\$4,663	\$7,266	\$5,022	\$0
Social Security (6.20%)	\$5,575	\$0	\$5,575	\$7,872	\$6,904	\$5,575	\$0
Medicare (1.45%)	\$1,304	\$0	\$1,304	\$1,841	\$1,615	\$1,304	\$0
Unemployment (2.80%)	\$2,518	\$0	\$2,518	\$3,555	\$2,518	\$2,518	\$0
Disability (0.50%)	\$450	\$0	\$450	\$635	\$682	\$450	\$0
<b>INDIRECT COSTS</b>							
Rent, Mortgage, Other Space Costs	\$14,108	\$3,647	\$17,755	\$14,104	\$18,089	\$17,755	\$0
Office Equipments-2000 and Repair	\$2,094	\$3,754	\$5,848	\$2,790	\$2,495	\$2,689	\$3,179
Office Materials and Supplies	\$1,386	\$0	\$1,386	\$447	\$447	\$447	\$949
Food-Related Paper Supplies	\$8,555	\$0	\$8,555	\$302	\$1,031	\$302	\$745
Cleaning Supplies	\$2,443	\$0	\$2,443	\$1,400	\$1,796	\$1,400	\$1,043
Food for Meetings	\$279	\$0	\$279	\$49	\$49	\$49	\$230
Building/Grounds Maintenance/Repair	\$5,236	\$0	\$5,236	\$4,570	\$4,570	\$4,570	\$666
Utilities	\$18,650	\$1,895	\$20,845	\$16,128	\$20,888	\$20,888	\$157
Telecommunications Services	\$4,154	\$0	\$4,154	\$3,883	\$3,992	\$3,992	\$162



Expense	DOE Share of Costs in Contracted Classrooms	Total Cost	BUDGET TRANSFER	ADJUSTED BUDGET WITH TRANSFERS	YTD TOTAL PROVIDER EXPENDITURE REPORT	YTD TOTAL PER AUDITOR	APPROVED BY AUDITOR	BUDGET MINUS YTD PER AUDITORS
Security	77.96%	\$663	\$0	\$663	\$571	\$571	\$571	\$92
Insurance	89.55%	\$20,246	\$8,441	\$28,687	\$33,286	\$43,284	\$45,242	-\$16,555
Accounting Fees	77.96%	\$10,298	\$2,586	\$12,884	\$5,981	\$7,672	\$7,672	\$5,212
Payroll Preparation Fees	77.96%	\$5,585	\$1,915	\$7,500	\$5,601	\$5,531	\$5,531	\$1,969
Advertising	77.96%	\$1,995	\$0	\$1,995	\$0	\$1,995	\$0	\$1,995
Staff Transportation	77.96%	\$157	\$0	\$157	\$0	\$157	\$0	\$157
Profit, if Applicable (Max of 2.5% of EG Costs)	100.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal of Above Administrative Support and District Costs</b>		<b>\$204,273</b>	<b>\$53,371</b>	<b>\$257,644</b>	<b>\$297,378</b>	<b>\$289,230</b>	<b>\$248,022</b>	<b>\$89,622</b>
<b>PROVIDER PROGRAM TOTALS</b>								
Total Cost		\$789,797		\$789,797		\$789,451	\$755,137	
Per-Pupil Cost		\$13,163.00		\$13,165		\$13,258		
<b>TOTAL BUDGET AMOUNT</b>		<b>\$789,800</b>		<b>\$789,800</b>				
<b>DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY</b>								
Classroom Materials and Supplies		-\$8,000						
Classroom Technology		-\$2,400						
Total Cost Less District Adjustments		\$779,400						
Per-Pupil Cost Less District Adjustments		\$12,990						
<b>TOTAL</b>			<b>\$0</b>	<b>\$789,797</b>	<b>\$739,786</b>	<b>\$785,451</b>	<b>\$755,137</b>	<b>\$34,659</b>
							Total Payments to the Provider / Amount Auditor Approved	\$768,713
							(Due back to District)	-\$755,137
								\$13,576