



State of New Jersey  
DEPARTMENT OF EDUCATION  
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CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

DAVID C. HESPE  
Commissioner

August 17, 2015

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 Parkside Preschool II, Inc. 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 me.

Sincerely,

Steven Hoffmann  
Director, State-Operated Audit Unit  
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**

**PARKSIDE PRESCHOOL II, INC.**

**2013-2014 FISCAL YEAR**

**AUGUST 2015**

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  
PARKSIDE PRESCHOOL II, INC.  
2013-2014 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, 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

Clarence Joffrion, Supervising Auditor  
Newark Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION  
NEWARK INTERNAL AUDIT UNIT  
PARKSIDE PRESCHOOL II, INC.  
2013-2014 FISCAL YEAR**

**EXECUTIVE SUMMARY**

The Newark Internal Audit Unit conducted an audit of Parkside Preschool II, Inc. (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 2013-2014 fiscal year.

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

- The district owes the provider \$1,106.
- The auditors noted several old outstanding checks as of year-end, including items dated as far back as 2011.

**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 2013 through June 2014. 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.
- 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.

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- The provider submitted the proper supporting documentation with the quarterly expenditure reports.
- The provider annually obtained signed waiver from staff members choosing to opt out of benefit coverage. The waiver must indicate proof of insurance from another source.
- The provider based all benefit expenditures on a written uniform policy.

Below is a summary of the audit findings and recommendations:

**PARKSIDE PRESCHOOL II, INC.:**

Parkside Preschool II, Inc. is a for-profit childcare center providing services to the children of Newark, New Jersey. The center has one location in Newark at 354 Park Avenue (six NJDOE classrooms). The center was budgeted to serve a total of 90 NJDOE children. The 2013-2014 approved budget totaled \$1,177,490.

The Newark Public Schools (NPS) paid the provider \$1,118,616 during the 2013/2014 fiscal year. Upon the district's review of the provider's expenditures, the district determined that the provider was underpaid and issued an additional check for \$25,121 in March 2015. Therefore, the provider received payments totaling \$1,143,737 for the 2013/2014 audit period.

**1. NJDOE Preschool Program**

The NJDOE funds the six hour educational component of the preschool program and the Department of Human Services (DHS) funds the wraparound component.

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 under spent the approved budget by \$32,647. The district withheld \$33,753. The district owes the provider \$1,106. (see exhibit A).

**Recommendation:**

The auditors recommend that the NPS pay the provider the sum of \$1,106.

- 2. The auditors noted several old outstanding checks as June 30, 2014, including items dated as far back as 2011.**

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The auditor's review includes a review of the 2013/2014 fiscal year bank reconciliations, which includes a list of all outstanding checks. As of June 30, 2014 all of the provider's outstanding checks were more than one year old. The checks outstanding are as follows:


Date	Check Number	Check Amount
04/04/2011	1576	\$2,405.10
10/03/2011	1748	14.79
06/04/2012	1871	20.00
06/26/2013	2102	<u>23.47</u>
	Total	\$2,463.36

**Recommendation:**

The auditors recommend that the provider review all old outstanding checks and make necessary adjustments to their accounting records. Any adjustments should be made in compliance with State of New Jersey escheat laws. In addition, the district should review the outstanding check list and consider recovering funds for any expenditure charged to the NJDOE preschool program which the provider cannot demonstrate that payment was actually made.

**Auditor:  
Patricia Sewak**

**Submitted by:**

  
**Clarence Joffrion  
Supervising Auditor**

**Approved by:**

  
**Steven C. Hoffmann  
Coordinating Auditor**



Expense	Total Cost	BUDGET TRANSFER	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	AMOUNT DUE BACK PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
Security Guard Benefits	\$0		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Social Security (6.20%)	\$4,856		\$13,931.24	-\$9,075.09	\$0.00	\$6,378.04	-\$1,521.89	\$0.00
Medicare (1.45%)	\$1,136		\$3,258.12	-\$2,122.41	\$0.00	\$1,491.64	-\$355.93	\$0.00
Unemployment (2.80%)	\$2,193		\$2,436.20	-\$243.10	\$0.00	\$1,513.97	\$679.13	\$679.13
Disability (0.50%)	\$392		\$895.31	-\$503.69	\$0.00	\$547.88	-\$156.26	\$0.00
<b>INDIRECT COSTS</b>								
Rent, Mortgage, Other Space Costs	\$150,412		\$150,411.60	\$0.40		\$150,411.60	\$0.40	\$0.40
Office Equipment->2000 and Repair	\$1,559		\$1,723.11	-\$164.11		\$1,386.59	\$172.41	\$172.41
Office Materials and Supplies	\$1,559		\$1,134.47	\$424.53		\$1,267.92	\$291.08	\$291.08
Food-Related Paper Supplies	\$1,559		\$2,285.58	-\$726.58		\$1,559.00	\$0.00	\$0.00
Cleaning Supplies	\$780		\$779.61	\$0.39		\$779.60	\$0.40	\$0.40
Food for Meetings	\$234		\$183.31	\$50.69		\$183.32	\$50.68	\$50.68
Building/Grounds Maintenance/Repair	\$4,911		\$5,005.51	-\$94.51		\$4,225.91	\$685.09	\$685.09
Utilities	\$14,040		\$15,011.38	-\$971.38		\$14,040.00	\$0.00	\$0.00
Telecommunications Services	\$2,339		\$2,146.04	\$192.96		\$2,090.62	\$248.38	\$248.38
Security	\$390		\$0.00	\$390.00		\$0.00	\$390.00	\$390.00
Insurance	\$21,600		\$20,123.81	\$1,476.19		\$21,290.45	\$309.55	\$309.55
Accounting Fees	\$15,750	\$4,950.00	\$16,000.00	\$4,700.00		\$20,700.00	\$0.00	\$0.00
Payroll Preparation Fees	\$2,339		\$2,411.57	-\$72.57		\$2,339.00	\$0.00	\$0.00
Advertising	\$390		\$389.80	\$0.20		\$390.00	\$0.00	\$0.00
Staff Transportation	\$390		\$389.80	\$0.20		\$390.00	\$0.00	\$0.00
Profit, if Applicable (Max of 2.5% of Ed Costs)	\$21,125		\$21,125.00	\$0.00		\$21,125.00	\$0.00	\$0.00
Subtotal of Above Administrative Support and Indirect Costs	\$326,741		\$345,816	-\$9,926	\$6,045	\$334,744	\$1,146	\$3,180.56
<b>PROVIDER PROGRAM TOTALS</b>								
Total Cost	\$1,177,491		\$1,166,276.89					
Per-Pupil Cost	\$13,083.24		\$12,958.63					
<b>DISTRICT ADJUSTMENTS (amounts withheld for items to be purchased by the district) FOR DISTRICT USE ONLY</b>								
Classroom Materials and Supplies	-\$12,000							
Classroom Technology	-\$3,600							
Total Cost Less District Adjustments	\$1,161,891		\$1,150,676.89					
Per-Pupil Cost Less District Adjustments	\$12,909.91		\$12,785.30					
<b>TOTAL</b>	<b>\$1,177,491</b>	<b>\$0.00</b>	<b>\$1,166,276.89</b>	<b>\$11,214.56</b>	<b>\$33,555.19</b>	<b>\$1,144,842.79</b>	<b>\$32,648.66</b>	<b>\$39,692.53</b>

Provider paid \$1,118,616.00  
 Provider add'l paid \$25,121.23  
 Total 13/14 \$1,143,737.23  
  
 Total 13/14 \$1,143,737.23  
 Auditor approved \$1,144,842.79  
 Amount due back -\$1,105.56