

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE

PATERSON INTERNAL AUDIT UNIT
REVIEW REPORT
RICH TREE SERVICE INC.
FEBRUARY 2018

NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
RICH TREE SERVICE, INC. REVIEW
FEBRUARY 2018

Distribution List of Final Report

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NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
RICH TREE SERVICE, INC. REVIEW
FEBRUARY 2018

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit has conducted a review of the districts contract with Rich Tree Service, Inc. (vendor). The review was conducted after the Paterson School District Facilities Department (District) informed the auditors about concerns they had with some of the vendors billings.

The scope of work included a review of all available documentation pertaining to the selection and compensation of the vendor including contracts, purchase orders, invoices, and service tickets to determine if the vendor was compensated in accordance with the contract and current regulations.

The review identified several deficiencies including the following:

- The District failed to obtain the required multiple quotes for mulch services provided by the vendor.
- The vendor provided and billed for services without an executed purchase order (confirming order).
- The vendor billed the District using state contract line items rates that were not applicable to the services provided.
- The vendor billed the District for playground mulch at Public School#2 (P.S. #2) and Public School #5 (P.S. #5) on two separate invoices.
- The vendor prepared backdated proposals to support the invoice for mulch delivery and installation.

The remainder of this report details our findings and recommendations.

NEW JERSEY DEPARTMENT OF EDUCATION
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BACKGROUND

In September 2017, the District issued the vendor a purchase order in the amount of \$50,000.00 for "District wide landscaping services". The contract was awarded under state contract #80902 "Tree Trimming, Pruning & Removal Services". The vendor was subsequently issued an additional purchase order in the amount \$2,650.00 for the delivery and installation of mulch. As of the date of this report the vendor has received payments in the amount of \$28,371.23.

FINDINGS AND RECOMMENDATIONS

Finding - 1: The District Project Manager failed to obtain the required multiple quotes for mulch services provided by the vendor

New Jersey Public School Contracts Law (N.J.S.A. 18A:18A-37) requires that the District obtain quotes from multiple vendors before awarding contracts which are less than the bid threshold (\$40,000) but more than 15 percent of the threshold (\$6,000). The vendor submitted two invoices for mulch installation services (not covered by a state contract) totaling \$9,217.12 without the District obtaining the required multiple quotes.

Recommendation:

The District must comply with N.J.S.A. 18A:18A-37 and obtain multiple quotes as required before contracting or authorizing work.

Finding - 2: The vendor provided and billed for services without an executed purchase order (confirming order)

A "Purchase Order" is a document issued by the District Purchasing Agent authorizing a purchase transaction to a vendor to provide goods or perform services to the District. State statute and District policy require that the purchase order be executed prior to the purchase of goods or the rendering of services. In the case of confirming orders, this process is bypassed because goods or services are received without, or prior to, issuing a purchase order with the proper authorization of the School Business Administrator.

On, November 20, 2017 the vendor billed the District \$6,567.12 (invoice #1703483) to "Install Playground Mulch at 3 locations" (Attachment1). The invoice indicated that the invoice was to be paid under P.O. #1802858, however that P.O. was for services covered under the vendor's state contract (Tree Trimming, Pruning & Removal Services). Mulch installation is not covered by the state contract. Accordingly, there is no P.O. for the mulch services. It is a confirming order and a violation of District policy and state statute.

NEW JERSEY DEPARTMENT OF EDUCATION
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Recommendation:

The auditors recommend that the District implements procedures to ensure that no goods are ordered or services provided until purchase orders are issued. The District should enforce the policy currently in place for confirming orders.

Finding – 3: The vendor billed the District using state contract line items rates that were not applicable to the services provided

On, November 20, 2017 the vendor billed the District \$6,567.12 (invoice #1703483) to “Install Playground Mulch at 3 locations” (Attachment 1). The invoice indicated that the price was calculated using state contract line item #33 and line item #51. Line item #33 is an hourly rate (\$223.88/per hour) for a “3-person crew – Tree work only”. Line item #51 is an hourly rate (\$49.75/per hour) for a “bucket truck having a minimum reach of not less than seventy feet”. Neither of these line items is applicable to the bulk purchase of mulch. Accordingly, the mulch cannot be billed under the state contract as the vendor has done.

Recommendation:

State contract rates can only be billed for services covered by the state contract. The vendor should be required to provide a detailed invoice of services rendered including date of service, location, quantity, and rate. The District should verify that services billed were satisfactorily completed before payment.

Finding – 4: The vendor billed the district for playground mulch at P.S. #2 and P.S. #5 on two separate invoices

The district issued the vendor P.O. #1803453 (Attachment 2) in the amount of \$2,650 for “Mulch for playgrounds deliver and install. Location P.S.#2, P.S.#5, P.S.#26 and P.S.#27.” The vendor subsequently billed the district the full \$2,650.00 on November 17, 2017 (Attachment 3). On November 20, 2017, the vendor submitted another invoice in the amount of \$6,567.12 also for the installation of mulch. A breakdown of the invoice shows \$3,283.56 charged for mulch at P.S. #2 and \$1,641.78 for mulch at P.S. #5. However, both schools were included in the initial payment of \$2,650.00. When contacted, the vendor indicated that additional mulch was needed at P.S. #2 and P.S. #5 as the initial delivery was not enough. There was no purchase order for the second delivery and accordingly it was unauthorized. As of the date of this report auditors have not received copies of signed delivery tickets for the two separate deliveries.

Recommendation:

The District should decline payment on the invoice for \$6,567.12 unless the vendor can demonstrate that these services were authorized, not previously billed and provide proof of delivery.



325 Bergen Street
 South Plainfield, NJ 07080

908-755-6007

Paterson Public Schools
 90 Delaware Ave
 Paterson, NJ 07503
 Attn: Nicholas Moretta

Invoice # 1703483

Date 11/20/2017

Amount Due: \$6,567.12

Terms	Due on receipt
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Crew	RL	P.O. No.	1802858
Date	Description		Amount
		PO# 1802858	0.00
		Install Playground Mulch at 3 Locations	0.00
11/20/2017		PS 2 - State Line Item #33 (3) Man Crew	2,686.56
11/20/2017		PS 2 - State Line Item #51 Bucket Truck	597.00
11/16/2017		PS 5 - State Line Item #33 (3) Man Crew	1,343.28
11/16/2017		PS 5 - State Line Item #51 Bucket Truck	298.50
11/16/2017		PS 7 - State Line Item #33 (3) Man Crew	1,343.28
11/16/2017		PS 7 - State Line Item #51 Bucket Truck	298.50

Please Write the Invoice Number On Your Check For
 Accurate Receipt of Payment.

Total \$6,567.12

PURCHASE ORDER
Paterson Public Schools
 Division Of Business Services
 Department Of Purchasing
 90 Delaware Avenue
 Paterson, New Jersey 07503

1803453
 PURCHASE ORDER NO.
 THIS NUMBER MUST APPEAR ON
 ALL INVOICES, PACKAGES AND
 CORRESPONDENCE

TO: RICH TREE SERVICE, INC.
 STATE CONTRACT #80902
 325 BERGEN STREET
 SOUTH PLAINFIELD, NJ
 07080

SHIP TO: PATERSON PUBLIC SCHOOLS
 MAINTENANCE & REPAIR SERVICES
 200 SHERIDAN AVE
 PATERSON, NJ
 07502



CHARLES GAGE
 873 321-0932

DATE: OCT. 26, 2017

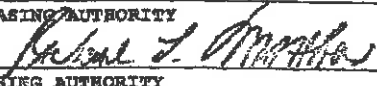
APPROVAL METHOD: CONTRACT

18A:18A-37 AMOUNT LESS THAN QUOTE LIA REC: 3851

LINE	QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
1		FY 17/18		
2		CONTRACT UNDER QUOTE LIMIT		
3		LOCATION PS2, PS5, PS26 AND PS 27- MULCH FOR		
4		PLAYGROUNDS DELIVER AND INSTALL 30 YDS OF MULCH		
5		QUOTE DATED 10/6/2017		
6	30	YARDS PLARGOUND MULCH	85.00	2,550.00
7	1	INSTALLATION AND DELIVERY	100.00	100.00
8				
9				
10				
11				
12				
13				
14				
15				
16				
			TOTAL	2,650.00

ITEM	ACCOUNT	AMOUNT	ITEM	ACCOUNT	AMOUNT	
3851	11-000-261-420-680-000-0000-000	2,650.00				
					DISTRIBUTION TOTAL	2,650.00

*******INVOICES MUST ITEMIZE ALL CLAIMS BY COMPONENT PRICING*******
 The vendor will honor all of the terms and pricing stated on this purchase order. Any term or pricing that is inconsistent with a contract between the Board of Education and the vendor the terms of pricing policies of the vendor is the responsibility of the vendor. The maximum obligation of the Paterson Board of Education to the vendor for the cost of goods and the delivery of or the performance of services to the district will not exceed the amounts included on this purchase order.

PURCHASING AUTHORITY  PURCHASING AUTHORITY	RECEIVING	
	Date Received: _____ Received By: _____ Comments: _____ _____	
PURCHASE ORDER MUST BE SIGNED TO BE VALID		



325 Bergen Street
 South Plainfield, NJ 07080

908-755-6007

Paterson Public Schools
 90 Delaware Ave
 Paterson, NJ 07503
 Attn: Nicholas Moretta

Invoice # 1703485

Date 11/17/2017

Amount Due: \$2,650.00

Terms Due on receipt

Crew	RL	P.O. No.	1803453
Date	Description		Amount
11/13/2017	PO # 1803453 Install Playground Mulch PS2, PS5, PS26 & PS27		2,650.00
			2,650.00

Please Write the Invoice Number On Your Check For
 Accurate Receipt of Payment.

Total \$2,650.00

PROPOSAL

CUSTOMER

DATE

8/31/2017

NAME MR. GAGE
ADDRESS _____
CITY PATERSON
PHONE 973-418-4687
EMAIL CGAGE@PATERSON.K12.NJ.US

	YARDS	DESCRIPTION	UNIT PRICE	TOTAL
ESTIMATED	18.14	PLAYGROUND MULCH	\$85	\$1,541.90
		INSTALLATION / DELIVERY	\$100	\$100
			SUBTOTAL	\$1,641.90
TERMS: PAYMENT DUE UPON COMPLETION			6.875 % SALES TAX	
* ADDITIONAL MULCH WILL BE BILLED PER YARD			TOTAL	\$1,641.90
* FUEL SURCHARGES MAY APPLY \$.50 - \$1.00 PER YARD				

LOCATION:

PS 5

THANK YOU

Date _____

Customer Signature _____

PROPOSAL

CUSTOMER

DATE

8/31/2017

NAME MR. GAGE
ADDRESS _____
CITY PATERSON
PHONE 973-418-4687
EMAIL CGAGE@PATERSON.K12.NJ.US

	YARDS	DESCRIPTION	UNIT PRICE	TOTAL
ESTIMATED	18.14	PLAYGROUND MULCH	\$85	\$1,541.90
		INSTALLATION / DELIVERY	\$100	\$100
		SUBTOTAL		\$1,641.90
TERMS: PAYMENT DUE UPON COMPLETION			6.875 % SALES TAX	
* ADDITIONAL MULCH WILL BE BILLED PER YARD			TOTAL	\$1,641.90
* FUEL SURCHARGES MAY APPLY \$.50 - \$1.00 PER YARD				

LOCATION:

PS 7

THANK YOU

Date _____

Customer Signature _____

PROPOSAL

CUSTOMER

DATE

8/31/2017

NAME MR. GAGE
ADDRESS _____
CITY PATERSON
PHONE 973-418-4687
EMAIL CGAGE@PATERSON.K12.NJ.US

	YARDS	DESCRIPTION	UNIT PRICE	TOTAL
ESTIMATED	37.45	PLAYGROUND MULCH	\$85	\$3,183.25
		INSTALLATION / DELIVERY	\$100	\$100
			SUBTOTAL	\$3,283.25
TERMS: PAYMENT DUE UPON COMPLETION			6.875 % SALES TAX	
* ADDITIONAL MULCH WILL BE BILLED PER YARD			TOTAL	\$3,283.25
* FUEL SURCHARGES MAY APPLY \$.50 - \$1.00 PER YARD				

LOCATION:

PS 2

THANK YOU

Date _____

Customer Signature _____

CORRECTIVE ACTION PLAN

Name of School: Paterson Public School County: Passaic
 Type of Audit: Paterson Internal Audit -- Rich Tree Service Inc.
 Date of Board Meeting: May 16, 2018 Telephone Number: 973-321-0775
 Contact Person: Richard L. Matthews

AUDIT FINDINGS AND RECOMMENDATION	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1) The District Project Manager failed to obtain the required multiple quotes for mulch services provided by the vendor	The District will comply with NJSA 18A:18A-37 and obtain multiple quotes as required before contracting or authorizing work	The district will adhere to NJSA 18A:18A-37	Steve Morlino Anthony Infante	Prior to requisition process
2) The vendor provided and billed for services without an executed purchase order (confirming order)	The District will implement procedures to ensure that no goods are ordered or services provided until purchase orders are issued. The District will enforce the policy currently in place for confirming orders.	Following current ordering process in place for purchasing	Steve Morlino Anthony Infante	Prior to requisition process
3) The vendor billed The District using state contract line items rates that were not applicable to the services provided	State contract rates can only be billed for services covered by the state contract. The vendor will be required to provide a detailed invoice of services rendered including date of service, location, quantity and rate. The District will verify that services billed were satisfactorily completed before payment.	Compare itemized invoices to state contract rates to ensure charges are accurate	Steve Morlino Anthony Infante	Prior to requisition process
4) The vendor billed the District for playground mulch at PS #2 and PS # 5 on two separate invoices	The District will decline payment on the invoice for \$6,567.12 unless the vendor can demonstrate that these services were authorized, not previously billed and provide proof of delivery.	Payment will not be submitted for processing until services have been verified and received in the accounting system as proof of services rendered	Steve Morlino Anthony Infante	Prior to requisition process

Richard L. Matthews
 CHIEF SCHOOL ADMINISTRATOR
 DATE: 4/27/18

Richard L. Matthews
 SCHOOL BUSINESS ADMINISTRATOR /DATE: 4/27/18

CORRECTIVE ACTION PLAN

Name of School: Paterson Public School County: Passaic
 Type of Audit: Paterson Internal Audit – Rich Tree Service Inc.
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AUDIT FINDINGS AND RECOMMENDATION	CORRECTIVE ACTION APPROVED BY THE BOARD	METHOD OF IMPLEMENTATION	PERSON RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
5) The vendor prepared backdated proposals to support the invoice for mulch delivery and installation.	Quotes for services will be obtained and reviewed by the appropriate district staff prior to the issuing of a purchase order and the commencement of services.	Quotes will be obtained and the requisitioning process will be followed prior to services being obtained. A/P checklist has been developed for verification purposes.	Steve Morlino Anthony Infante June Gray	Prior to requisition process

Steven Spiker 4/27/18
 CHIEF SCHOOL ADMINISTRATOR

Richard Matthews 4/27/18
 SCHOOL BUSINESS ADMINISTRATOR /DATE