

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

**PATERSON INTERNAL AUDIT UNIT**  
**INNOVATIVE EDUCATIONAL PROGRAMS (IEP)**  
**FISCAL YEAR 2016-2017**  
**JUNE 2018**

**NEW JERSEY DEPARTMENT OF EDUCATION  
PATERSON INTERNAL AUDIT UNIT  
INNOVATIVE EDUCATIONAL PROGRAMS (IEP)  
FISCAL YEAR 2016-2017**

**Distribution List of Final Audit Report**

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Paterson Public Schools**

**NEW JERSEY DEPARTMENT OF EDUCATION  
PATERSON INTERNAL AUDIT UNIT  
INNOVATIVE EDUCATIONAL PROGRAMS (IEP)  
FISCAL YEAR 2016-2017**

**EXECUTIVE SUMMARY**

The Paterson Internal Audit Unit conducted an audit of Innovative Educational Programs (IEP) (provider), a provider participating in the New Jersey Department of Education (NJDOE) Preschool Education Program, for compliance with the terms of the contract for FY 2016-2017.

As a result of the audit, the following deficiency was noted:

- The provider did not follow the approved budget. As a result, the provider owes the district a balance of \$74,824.14.

**AUDIT SCOPE**

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for the provider for the period July 2016 through June 2017. 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 and 55 minute day and 185 day school year. Additional funds were given to the provider to operate a 15 day summer enrichment program during the month of July 2016.

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 results, child abuse record information results, Mantoux Tuberculosis 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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- The provider maintained a financial system that provided 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.

**INNOVATIVE EDUCATIONAL PROGRAMS (IEP)**

IEP is a for-profit childcare center providing services to the children of Paterson, New Jersey. For-profit centers are budgeted to record up to a maximum of a 2.5 percent profit of the center's NJDOE funded educational program costs. IEP is one of eight entities controlled by The O'Donnell Group. IEP is a limited liability company that provides school districts with early childhood education, special education and option schooling. IEP is located at 30 Michigan Avenue in Paterson and was budgeted to serve a total of 210 NJDOE children. The approved budget for FY 2016-2017 totaled \$2,694,892.

**SUMMARY OF FINDINGS AND RECOMMENDATIONS**

**Finding 1:** The provider under spent the NJDOE Preschool Education approved budget. As a result, the provider owes the district a balance of \$74,824.14.

The NJDOE funds the six hour and 55 minute 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 \$74,824.14 (see exhibit A).

NEW JERSEY DEPARTMENT OF EDUCATION  
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**Recommendation:**

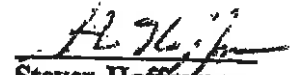
The auditors recommend the district recovers \$74,824.14 from this provider.

**Auditor:**  
**Janeth Molina**

**Submitted by:**

  
**Daniel Sackner**  
**Supervising Auditor**

**Approved by:**

  
**Steven Hoffmann**  
**Director, State-**  
**Operated Audit Unit**

IEP  
BUDGET VS. ACTUAL  
2016-2017 FISCAL YEAR

Expenditure	FTE/ Security	Unit Cost / Average Unit Cost	DOE Share of Costs in Contracted Classrooms	Total Cost	Teachers / Adjustment	ADMITTED WORKER BENEFITS	TOTAL EXP PER PROVIDER	NUMBER PROVIDERS	PER PROVIDER TO BE RECLAIMED	FTE TOTAL PER PROVIDERS	NUMBER IMPRUS FTE PER ADDITIONS	VARIANCE- ACCRUALS/BACK
<b>EDUCATIONAL PROGRAM COSTS</b>												
Teacher Salary	14.00	\$53,082	100.00%	\$743,132		743,082.00	743,082.00	21,700.00	21,700.00	743,082.00	21,700.00	21,700.00
Teacher Assistant Salary	14.00	\$27,293	100.00%	\$382,102		382,080.00	382,080.00	2,744.00	2,744.00	382,080.00	2,744.00	1,878.99
Food/ Teacher Assistant Salary	2.35	\$39,059	100.00%	\$92,792		92,792.00	92,792.00	14,058.79	14,058.79	92,792.00	14,058.79	83.00
Teacher/Assistant Teacher Benefits	28.00	\$10,151	100.00%	\$284,525	10,650.00	287,887.00	272,696.00	25,245.00	25,245.00	297,451.24	18,467.00	18,467.00
Substitute Teacher Salary	14.00	\$1,100	100.00%	\$15,400		15,400.00	13,670.00	1,490.00	1,490.00	13,670.00	1,490.00	4,508.53
Substitute Assistant Teacher Salary	18.25	\$1,100	100.00%	\$17,855		17,855.00	10,658.00	1,053.00	1,053.00	17,710.00	253.00	263.00
Classroom Materials and Supplies	14.00	\$1,600	100.00%	\$21,000		21,000.00	21,142.00	(142.00)		21,348.00	692.00	692.00
Classroom Technology	14.00	\$500	100.00%	\$11,200		11,200.00	12,311.00	589.00	589.00	10,203.27	2,838.53	2,838.53
Field Use of Transportation	210.00	\$60	100.00%	\$17,850		18,820.00	12,000.00	3,782.00	3,782.00	11,498.00	4,302.00	4,302.00
Family Worker Salary	2.00	\$33,678	100.00%	\$67,356		64,844.20	70,212.00	18,892.89	18,892.89	64,844.20	0.00	0.00
Family Worker Benefits	2.00	\$8,408	100.00%	\$16,816		28,402.88	28,068.00	110,204.12		28,402.88	0.00	0.00
<b>Food-Related Costs (CALFPP participant, non-reimbursable costs)</b>												
Food (for sponsored preschool children only)		0	100.00%	\$0								
Food Worker Salary (cost)	1.00	\$27,473	90.33%	\$22,894		22,893.50	22,893.00	616.10		22,893.00		
Food Worker Benefits (cost)	1.00	\$1,058	63.33%	\$637		600.81	910.00	67.20		900.81		
Assistant Food Worker Salary (cost, cost)	1.67	\$23,870	53.53%	\$33,230		38,200.21	25,164.00	8,078.21	8,078.21	28,469.00	8,741.21	8,741.21
Assistant Food Worker Benefits (cost, cost)	1.67	\$320	63.33%	\$463		463.00	694.00	1,149.80		493.20		
Employee Payroll Taxes (For Educational Program Positions only)				\$32,392		62,631.62						
Social Security-Taxable Wages Only (0.20%)				\$30,184		20,182.78						
Medicare (1.45%)				\$17,470		17,470.00						
Unemployment (1.6% up to \$32,000)				\$5,189		5,189.28						
Charity (0.7% up to \$22,000)				\$1,050,018		1,050,017.00	1,050,058.00	61,858.65	61,858.65	1,050,022.41	60,000.00	60,000.00
<b>SUBTOTAL, Educational Program Costs</b>												
<b>ADMINISTRATIVE SUPPORT AND INDIRECT COSTS</b>												
<b>SUPPORT COSTS</b>												
Director Salary	1.00	\$100,000	83.33%	\$83,333		83,333.00	83,333.00	1,138.00		87,869.00		
Director Benefits	1.00	\$9,350	83.33%	\$7,800		7,800.00	7,800.00	388.04		7,138.00		
Classical Salary	1.00	\$35,122	83.33%	\$29,268		27,602.00	27,602.00	(59.00)		27,602.00		
Classical Benefits	1.00	\$405	83.33%	\$337		377.52	377.52	(149.00)		377.52		
Custodian Salary	2.00	\$22,000	83.33%	\$18,667		18,667.00	18,667.00	44,800.10		44,800.10	0.00	0.00

IEP  
BUDGET VS. ACTUAL  
2016-2017 FISCAL YEAR

Expense	FTE/Equity	Unit Cost / Average Unit Cost	DOE Share of Costs in Contracted Classrooms	DOE Share of Annual Coaches' Wages Costs	Total Cost	TRANSFER/ADJUSTMENT	ADJUSTED BUDGET	TOTAL SP PER PROVIDER	START VARIANCE	PER PROVIDER TO BE RECLAIMED	YTD TOTAL PER ALLOTMENTS	BUDGET WITH YTD PER ADJUSTMENTS	VARIANCE AMOUNT INC OR DEC
Quarantine Benefits	2.00	\$4,284	85.33%	100.00%	\$7,890		7,089.00	6,789.00	-200.00	200.00	5,299.00	589.70	690.70
Security Guard Salary		\$0	85.33%	100.00%	\$0								
Security Guard Benefits		\$0	85.33%	100.00%	\$0								
Social Security-Taxable Wages Only (0.20%)		\$9,726			\$9,726		9,726.92						0.00
Medicare (1.45%)		\$2,228			\$2,228		2,326.67						
Unemployment (1.8% up to \$32,000)		\$1,696			\$1,696		1,896.07						
Employer (0.75% up to \$32,000)		\$743			\$743		743.47	16,613.00	(11,182.48)		14,380.62	0.00	
Expenses		Total Cost		DOE Share of Annual Coaches' Wages Costs	Total Cost								
INDIRECT COSTS - SPACE COSTS													
Rent, Mortgages, Other Space Costs		\$332,170	85.33%	100.00%	\$653,476		249,476.00	279,626.00	\$22,150.00		\$243,476.00		
INDIRECT COSTS - ALL OTHER ALLOWABLE INDIRECT													
Office Expenses-3000 and Transit		\$11,113	85.33%	100.00%	9,261		10,260.00						
Office Materials and Supplies		\$13,607	85.33%	100.00%	11,389		1,209.00						
Food-Related Paper Supplies		\$300	85.33%	100.00%	417		416.87						
Cleaning Supplies		\$18,118	85.33%	100.00%	19,453		8,492.00						
Equipment/Supplies Maintenance/Repair		\$66,777	85.33%	100.00%	31,481		31,480.00						
Utilities		\$53,897	85.33%	100.00%	27,899		27,897.00						
Telecommunications Services		\$9,200	85.33%	100.00%	5,070		2,890.00						
Security		\$24,148	85.33%	100.00%	20,123		21,673.95						
Insurance		\$83,681	85.33%	100.00%	69,318		69,317.50						
Accounting Fees		\$30,744	85.33%	100.00%	26,060		26,060.00						
Parent Preparation Fees		\$13,246	85.33%	100.00%	11,059		11,059.00						
Advertising		\$1,890	85.33%	100.00%	1,290		(1,290.00)						
Staff Transportation		\$0	85.33%	100.00%	\$0								
Franch. & Licenses/Fees of 2.0% of Est Costs		\$46,770	100.00%	100.00%	46,770		46,770.00						
Subtotal of Above Administrative Support and Indirect Costs					\$676,743		676,743.00	217,673.00	(17,246.00)		\$260,326.48	0.00	0.00
Other Approved Budgeted Costs													
Nursing Services (1 FTE nurse for 205 days, 7 nurses per day @ \$62 per hour)					\$34,890		34,890.00	49,676.00	4,515.00	4,515.00	861,545.00	3,190.00	3,190.00
Nursing Supplies		\$1,000			\$1,000		1,000.00	193.00	1,397.00	1,397.00	\$17,567	1,392.49	1,392.49
Summer Enrichment		\$59,067			\$59,067		59,067.00	69,449.00	6,016.00	6,016.00	\$61,718.64	6,780.16	6,780.16
NAEYC		\$775			\$775		775.00	775.00			\$775.00		
SUBTOTAL - Other Approved Budgeted Costs					\$115,732		115,732.00	191,292.00	11,640.00	11,640.00	103,848.41	15,252.09	11,292.09
PROVIDER PROGRAM TOTAL B					\$2,054,932.46	0	2,054,932.46	2,991,918.00	33,476.44	109,623.41	2,628,988.29	74,624.13	74,624.14
Total Cost					\$2,054,932.46		2,054,932.46	2,991,918.00	33,476.44	109,623.41	2,628,988.29	74,624.13	74,624.14

**NEW JERSEY DEPARTMENT OF EDUCATION  
OFFICE OF FISCAL ACCOUNTABILITY AND COMPLIANCE  
EARLY CHILDHOOD EDUCATION LIMITED REVIEW RESPONSE  
CORRECTIVE ACTION PLAN**

CAP# \_\_\_\_\_

NAME OF SCHOOL DISTRICT PATERSON PUBLIC SCHOOL DISTRICT COUNTY: PASSAIC

TYPE OF EXAMINATION: State Mandated Early Childhood Education Program  
Office of Fiscal Accountability and Compliance (OFAC)  
DATE OF BOARD MEETING: Workshop Meeting: August 1, 2018 OFAC Case # \_\_\_\_\_

PROVIDER CONTACT INFORMATION: Name of PROVIDER IEP Early Learning Center  
NAME OF DIRECTOR Ms. Lee Coughlan Address of Provider 30 Michigan Avenue Paterson, NJ 07503

TELEPHONE NUMBER 973-881-1583 FAX NUMBER n/a

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	The provider under spent the NJDOE Preschool Education budget by \$74,824.14	The District has fully recovered \$74,824.14 from the provider as of June 2018.	The District reduced the monthly tuition payments to the provider, starting in December 2017 and ending in June 2018 at which point all funds were recovered.	Nancy Aguado-Holtje	June 2018

Eileen Shoyer Chief School Administrator \_\_\_\_\_ Date 9/10/18  
Richard J. Matthews Board Secretary/Business Administrator \_\_\_\_\_ Date \_\_\_\_\_

Fiscal Specialist \_\_\_\_\_ Date \_\_\_\_\_  
Provider \_\_\_\_\_ Date \_\_\_\_\_