

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT

EL MUNDO DE COLORES

2007-2008 FISCAL YEAR

JULY 2009

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
EL MUNDO DE COLORES
2007-2008 FISCAL YEAR**

Distribution List of Final Audit Report

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Paterson Public Schools

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
EL MUNDO DE COLORES
2007-2008 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of El Mundo De Colores, a provider participating in the Abbott Preschool Education Program, for compliance with the terms of the contract for the 2007-2008 fiscal year.

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

- The provider did not follow the approved budget. As a result, the provider owes the district a balance of \$96,950.06.
- The expenditure reports submitted by the provider failed to accurately report actual expenditures as required by Section VI (H) of the contract.
- The provider failed to prepare a proper bank reconciliation.
- Fidelity Bond Insurance coverage was not in compliance with the terms of the contract.
- Deficiencies noted in the review of required staff credentials.

DETAILED FINDINGS

The Paterson Internal Audit Unit reviewed the financial records and supporting documentation in accordance with the executed contract for El Mundo De Colores for the period September 2007 through June 2008. During this year, funds were allocated based on a zero-based budget submitted by the provider and approved by the District. A zero-based budget is based on the actual costs of the program. The Abbott budget should reflect actual costs based on a six and a half hour day and 185 day school year.

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

- The day care center had a current license.
- The Abbott 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, 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 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 that 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 provides timely, accurate, current and complete disclosure of all financial activities related to the Abbott agreement.
- The provider properly handled cash receipts and disbursements; and completed year-end bank reconciliation for each account handling Abbott 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 the audit findings:

EL MUNDO DE COLORES:

El Mundo De Colores is a childcare center providing services to the children of Paterson, New Jersey. It operates under the auspices of Catholic Charities of the Diocese of Paterson. The center is located at 44 Ward Street in Paterson, and was budgeted to serve a total of 105 Abbott children. The approved Abbott budget totaled \$1,268,634.

1. Deficiencies noted in review of the quarterly Expenditure Reports.

The Department of Education (DOE) funds the 6 1/2 hour educational component of the Abbott 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 that 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 Abbott with each quarterly expenditure report. The Paterson Office of Early Childhood shall, based on their review of the quarterly expenditure reports, make prorated adjustments to subsequent monthly payments through the duration of the Abbott contract.

The auditors noted the following budget line item that was calculated as under spent:

- Teacher and teacher assistant benefits were budgeted at \$213,557; however, the auditors calculated actual expenses totaling \$127,146.31.

The auditors noted the following deficiency in the expenditure reports submitted by the provider:

- The provider failed to report the correct budget variance on the final expenditure report for the year. The expenditure report reflected a net number, which means that the provider included amounts for line items deemed

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overspent and netted those amounts against the under spent line items which reduced their actual variance. The expenditure report as submitted shows an over expenditure of \$126,163 but the actual variance per the provider is an under expenditure of \$98,817.

Based on the results of this audit, the provider under spent the approved budget by \$96,950.06 (See exhibit A).

Recommendation:

The auditors recommend that the district recovers \$96,950.06 for the 2007-2008 fiscal year from this provider. In the future, the provider must comply with the terms of the contract by submitting quarterly expenditure reports that reflect the correct budget variance. The Paterson Office of Early Childhood has informed the auditors that the variance in the expenditure report has been corrected for the 2008-2009 fiscal year.

2. The auditors noted that the provider failed to prepare a proper bank reconciliation.

The bank reconciliation for the operating account that was prepared by the provider for the month of June, 2008 included a reconciling adjustment for \$12,410.44. The provider indicated to the auditors that a reconciliation had not been done in quite some time and the adjustment was made in order to expedite completion.

Recommendation:

The auditors recommend that the provider prepare a bank reconciliation every month.

3. Fidelity Bond Insurance coverage was not in compliance with the terms of the contract.

The Abbott Preschool contract requires fidelity bond coverage to insure against loss from employee's dishonest acts. The minimum bond amount that is required is based upon the providers approved budget amount. Based on the budget amount the provider should have had coverage in the amount of \$105,000 plus 2% of all over \$1,000,000; or \$110,372.68. However; the provider has a coverage limit of \$106,000; resulting in a deficiency of \$4,372.68.

Recommendation:

The auditors recommend that provider adjust their insurance coverage to comply with the terms of the Abbott contract.

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4. Deficiencies noted in the review of required staff credentials.

In accordance with the 2007-2008 Abbott Preschool contract, providers must obtain the appropriate credential documentation, a CARI background check and a CHRI fingerprint background check for all staff members who will be working at the center on a regularly scheduled basis in order to secure a new or renewal license. Staff members whose duties require contact with children for at least 20% of the center's weekly operating hours shall take a Mantoux Tuberculin skin test.

The auditors reviewed the personnel files for 26 Abbott employees employed by El Mundo De Colores during the audit period of September 2007 to June 2008, and found the following deficiencies:

- The CHRI check was not completed at the time of the Abbott hire date for one (1) current employee. A CHRI was on file but was dated prior to her actual hire date for the Abbott program. Prior to working for the Abbott preschool program the employee volunteered at the center and was required to have a criminal history background check. The employee should have had a new CHRI done.
- T/B test results were not performed timely and/or in correspondence with the hire dates of one current employee. One employee had a T/B test done six months prior to her hire date which was accepted by the provider.

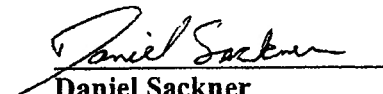
Recommendation:

The auditors recommend that the district Office of Early Childhood ensures that all required staff credentials are on file; and obtain all of the information from the provider pertaining to the deficiencies noted above. The auditors also recommend that the provider not accept documents dated prior to the employee's hiring date. The provider should instruct the employee who had a T/B test dated prior to her hire date to be re-tested.


Auditors:

Rashmi Rawtani

Submitted by:


Daniel Sackner
Supervising Auditor

Approved by:


Steven Hoffmann
Coordinating Auditor

EL MUNDO DE COLORES
BUDGET VS. ACTUAL
2007-2008 FISCAL YEAR

Expense	FTE Quantity	DOE Base Average Cost	DOE Base Allocation Ratio	Actual YTD Allocation Ratio	Cost Paid	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
ABBOTT EDUCATIONAL PROGRAM										
Certified Teacher Salary	5	\$48,565	100.00%	100.00%	\$242,825	\$243,148	(\$323)	242,325.15	499.85	488.85
BA Teacher Salary-AllRte	2.00	\$47,165	100.00%	100.00%	\$94,330	\$94,330	\$0	94,330.00	-	-
Teacher Assistant Salary	7	\$24,080	100.00%	100.00%	\$168,827	\$170,402	(\$1,775)	168,827.00	-	-
Floating Teacher Assistant Salary	1.17	\$27,504	100.00%	100.00%	\$32,088	\$32,566	(\$477.82)	32,088.16	(0.00)	(0.00)
Teacher/Asst Teacher Benefits	15.00	\$14,237	100.00%	100.00%	\$213,557	\$137,858	\$75,719	127,148.31	86,410.69	86,410.69
Substitute Teacher Daily Rate	7.00	\$1,650	100.00%	100.00%	\$11,550	\$11,410	\$140	10,430.00	1,120.00	1,120.00
Substitute Assistant Daily Rate	7.00	\$1,125	100.00%	100.00%	\$7,875	\$8,743	(\$868)	7,875.00	-	-
Classroom Materials and Supplies	7.00	\$2,000	100.00%	100.00%	\$14,000	\$12,910	\$1,090	14,000.00	-	-
Classroom Technology	7.00	\$800	100.00%	100.00%	\$5,600	\$6,370	(\$770)	5,600.00	-	-
Field Trips w/ Transportation	105.00	\$75	100.00%	100.00%	\$7,875	\$6,394	\$1,481	5,783.00	2,092.00	2,092.00
Family Worker Salary	2.33	\$29,059	81.63%	100.00%	\$55,351	\$58,210	(\$2,858.80)	55,351.20	(0.00)	(0.00)
Food-Related Costs (CACFP participant, non-reimbursable costs)										
Food (for Abbott children)		\$24,151	100.00%	100.00%	\$24,151	\$27,851	(\$3,699.60)	24,151.40	-	-
Food Worker Salary (cook)	1.00	\$25,955	76.51%	100.00%	\$19,599	\$21,962	(\$2,363.12)	19,598.88	0.00	0.00
Food Worker Salary (cook asst.)	0.17	\$17,763	75.51%	100.00%	\$2,236	\$2,472	(\$236.50)	2,235.50	0.00	0.00
Employer Payroll Taxes (For Abbott Educational Program Positions only)										
Social Security (6.20%)					\$39,338	\$39,175	\$162.81	38,590.72	747.09	747.09
Medicare (1.45%)					\$9,200	\$9,162	\$37.97	9,025.25	174.72	174.72
Unemployment (2.90%)					\$17,766	\$16,744	\$1,021.46	10,320.16	7,445.30	7,445.30
Disability (0.50%)					\$3,172	\$0.00	\$3,172.40	2,398.38	774.03	774.03
SUBTOTAL, Abbott Educational Program Costs					\$869,140	\$899,689	\$69,450.61	869,876.12	99,263.68	99,263.68
Prechool Center Director Salary/Benefits and Facilities Costs										
Director Salary	1.00	\$76,526	75.51%	100.00%	\$57,785	\$64,753	(\$6,968.06)	57,784.94	(0.00)	(0.00)
Social Security (6.20%)					\$3,583	\$4,014	(\$431.33)	3,582.87	(0.00)	(0.00)
Medicare (1.45%)					\$938	\$938	(\$98.12)	837.88	(0.00)	(0.00)
Unemployment (2.80%)					\$1,618	\$1,716	(\$98.02)	582.02	1,035.96	1,035.96
Disability (0.50%)					\$289	\$3.00	\$285.92	138.50	150.42	150.42
Director Benefits	1.00									
Family Worker Benefits	2.00									
Food Worker Benefits (cook)	1.00									
Food Worker Benefits (cook asst.)					\$18,724	3,018.00	15,706.16	18,724.16	(0.00)	(0.00)
Rent, Mortgage, Other Space Costs		\$87,215	75.51%	100.00%	\$65,657	\$84,218	(\$28,361.44)	65,856.56	(0.00)	(0.00)
SUM Director Salary/Benefits and Facilities Costs					\$145,693	\$188,658	(\$19,964.90)	147,506.73	1,186.37	1,186.37
All Other Allowable Administrative Support/Indirect Costs (14%)		\$179,684	75.51%	100.00%	\$135,680	\$288,179	(\$152,499.43)	135,879.57	0.00	0.00
SPECIAL REQUESTS (List each request on a separate line. Attach Special Request form for each.)										
Administrative and Indirect Supplemental Request										
Security Guard					\$18,622	\$38,271	(\$19,649)	18,622.00	-	-
(Insert item name or brief description for Special Request #3 on this line.)										
SUBTOTAL, Special Requests					\$18,622					
DOE PROVIDER PROGRAM TOTALS										
DOE Total Cost					\$1,272,134					
DOE Per-Pupil Cost					\$12,116					
DISTRICT ADJUSTMENTS (amounts withheld, district-purchased items) (FOR DISTRICT USE ONLY)										
Instructional Supplies @ \$500 per classroom					\$3,500					\$3,500
DOE Total Cost Less District Adjustments					\$1,268,634	\$1,304,797	(\$126,162.52)	1,171,884.43	100,450.06	96,950.96
DOE Per-Pupil Cost Less District Adjustments					\$12,062					

**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: Abbott Early Childhood Education Program
Office of Fiscal Accountability and Compliance (OFAC)
Report of Examination - (Dated) _____ OFAC Case # _____
DATE OF BOARD MEETING: August 12, 2009

PROVIDER CONTACT INFORMATION: Name of PROVIDER El Mundo de Colores NAME OF DIRECTOR Ms. Laura Zarife
Address of Provider 44 Ward Street, Paterson, NJ 07501

TELEPHONE NUMBER (973)523-0919 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	Deficiencies noted in review of the quarterly Expenditure Reports.	The District will recover \$96,950.06 from the Provider. The District will again request that Providers comply with the terms of the contract.	Reduce tuition payments to the Provider. The District has adjusted the worksheet to provide only the variances requested by the auditors.	Susana Peron	December 2009

Don W. Swan 7/28/09 _____ Frank L... _____ 7/23/09
Chief School Administrator Date Board Secretary/Business Administrator Date
Joseph A. Meloni 7-22-09 _____ Joseph A. Meloni _____ 7/22/09
Fiscal Specialist Date Provider Date

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2	The auditors noted that the provider failed to prepare a proper bank reconciliation.	The District will continue to require that the Provider prepare monthly bank reconciliations.	Monthly bank reconciliation is a required document to be included in the quarterly reports. The District will ensure that bank reconciliations are included.	Susana Peron	September 2009

Don W. Swan Date 7/28/09 Tom Kist Date 7/23/09
Chief School Administrator Board Secretary/Business Administrator

Don Schwilby Date 7-22-09 Joseph L. Melach Date 7/22/09
Fiscal Specialist Provider

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TELEPHONE NUMBER (973)523-0919 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTA TION
3	Fidelity Bond Insurance coverage was not in compliance with the terms of the contract.	The District will require that the Provider adjust the Fidelity Bond Insurance to comply with the terms of the contract.	Ensure appropriate coverage is maintained by recalculating listed coverage.	Susana Peron	September 2009

Don W. Egan
Chief School Administrator

Tim Schelling
Fiscal Specialist

8/14/09
Date

7-22-09
Date

Pen [Signature]
Board Secretary/Business Administrator

Joseph [Signature]
Provider

7/23/09
Date

7/22/09
Date

**NEW JERSEY DEPARTMENT OF EDUCATION
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Report of Examination - (Dated) _____ OFAC Case # _____
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TELEPHONE NUMBER (973)523-0919 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
4	Deficiencies noted in the review of required staff credentials.	The office of Early Childhood Education will continue to require proper documentation of CHRI, CARI and T/B test. Providers will be instructed to do all checks and T/B tests at time of hire.	Continue to request and review CHRI's, CARI's, and TB tests from Providers.	Susana Peron	December 2009

Don W. Zera
Chief School Administrator

Tom Schelling
Fiscal Specialist

8/14/09 Date
Tom Zarife Board Secretary/Business Administrator

7.22.09 Date
Joseph G. Meloch Provider

7/23/09 Date
7/22/09 Date