

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

PATERSON INTERNAL AUDIT UNIT
INNOVATIVE EDUCATIONAL PROGRAMS (IEP) LEARNING
CENTER

2008-2009 FISCAL YEAR

JANUARY 2010

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
IEP LEARNING CENTER
2008-2009 FISCAL YEAR**

Distribution List of Final Audit Report

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Paterson Public Schools**

**NEW JERSEY DEPARTMENT OF EDUCATION
PATERSON INTERNAL AUDIT UNIT
IEP LEARNING CENTER
2008-2009 FISCAL YEAR**

EXECUTIVE SUMMARY

The Paterson Internal Audit Unit conducted an audit of Innovative Educational Programs (IEP) Learning Center, a provider participating in the Abbott Preschool Education Program, for compliance with the terms of the contract for the 2008-2009 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 \$253,098.83.
- 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 IEP Learning Center for the period September 2008 through June 2009. 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. A for-profit provider can make up to 2.5% profit on the Abbott Preschool 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.
- 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.

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Below is a summary of the audit findings:

IEP LEARNING CENTER:

IEP Learning Center is a childcare center providing services to the children of Paterson, New Jersey. The provider is a for-profit corporation. The center has two locations in Paterson. IEP Learning Center 1 consists of 14 classrooms and is located at 30 Michigan Avenue. IEP Learning Center 2 consists of 2 classrooms and is located at 277 6th Avenue. The provider was budgeted to serve a total of 240 Abbott children. The approved Abbott budget totaled \$2,512,256. It should be noted that there was one combined budget for the two locations.

1. The provider under spent the approved budget.

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 several budget line items that were calculated as under spent, including:

- Teacher salaries were budgeted at \$787,241; however, the auditors calculated expenses totaling \$754,521.88.
- Teacher and Teacher Assistant benefits were budgeted at \$208,020; however, the auditors calculated expenses totaling \$117,505.06.
- Administrative and Indirect costs were budgeted at \$307,207; however, the auditors calculated expenses totaling \$278,226.77.
- Food for Abbott Children was budgeted at \$23,820; however, the provider reported expenses totaling \$0.

Based on the results of this audit, the provider under spent the approved budget by \$253,098.83 (See exhibit A).

Recommendation:

The auditors recommend that the district recovers \$253,098.83 from this provider for the 2008-2009 fiscal year.

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

In accordance with the 2008-2009 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. For the 2008-2009 school year the "Private Provider Expenditure Guidance" prepared by DOE requires that providers obtain waivers from any staff member who chooses to opt out of benefits coverage. The waivers must be signed annually and must indicate proof of insurance from another source.

The auditors reviewed the personnel files for 66 IEP Abbott employees during the audit period of September 2008 to June 2009, and found the following deficiencies:

- The CHRI check was dated 14 months after the hire date of a terminated employee and one year after the hire date of an active substitute.
- The CARI check was missing for one (1) terminated substitute teacher assistant.
- The required health benefits waiver and proof of other medical coverage was missing for 10 active employees and one terminated employee. Also, two active employees who did have the waiver on file were missing evidence of other medical and/or dental coverage.
- TB test results were dated ranging from 7.5 years before to one year after the hire date of seven active employees and one terminated employee. TB test results for two active employees on file were from another day care center.

Recommendation:

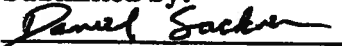
The auditors recommend that in the future the district Office of Early Childhood ensure that all required staff credentials are on file. The auditors also recommend that the district ensures that all required waivers and proof of other medical coverage are on file for the current fiscal year. The provider should require new TB tests from the two active employees whose tests were from another day care center.

Auditors:

Rashmi Rawtani

Patricia Sewak

Submitted by:



Daniel Sackner

Supervising Auditor

Approved by:



Steven Hoffmann

Coordinating Auditor

IEP
2008-2009 FISCAL YEAR
BUDGET VS. ACTUAL

EXPENSE	PER QUANTITY	UNIT COST	DOES SHARE OF QUANTITY	ABOVE BUDGET	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
ABBOTT EDUCATIONAL PROGRAM										
Certified Teacher Salary	16	\$49,203	100.00%	100.00%	\$743,345		\$43,898.50	\$754,521.88	\$32,719.62	\$32,719.62
BA Teacher Salary-ARRA			100.00%	100.00%	\$0		\$0.00			
Teacher Assistant Salary	16	\$28,385	100.00%	100.00%	\$428,333		(\$4,284.29)	\$411,584.31	\$10,738.40	\$10,738.40
Floating Teacher Assistant Salary	2.87	\$23,995	100.00%	100.00%	\$68,397		(\$594.18)	\$60,713.98	\$3,272.84	\$3,272.84
Teacher/Asst Teacher Benefits	34.87	\$6,000	100.00%	100.00%	\$208,020		\$73,177.00	117,505.06	\$79,249.94	\$79,249.94
Substitute Teacher Daily Rate	16.00	\$1,850	100.00%	100.00%	\$29,600		\$15,598.00	\$10,838.00	\$15,494.00	\$15,494.00
Substitute Assistant Daily Rate	16.00	\$1,128	100.00%	100.00%	\$18,048		(\$14,949.00)	\$27,865.50	(\$9,865.50)	(\$9,865.50)
Classroom Materials and Supplies	16.00	\$2,000	100.00%	100.00%	\$32,000		\$182.00	34,269.99	\$9,985.01	\$9,985.01
Classroom Technology	16.00	\$800	100.00%	100.00%	\$12,800		\$1,462.00	1,783.96	\$11,016.04	\$11,016.04
Field Trips w/ Transportation	240.00	\$75	100.00%	100.00%	\$18,000		\$5,449.00	12,551.04	\$5,448.96	\$5,448.96
Family Worker Salary	5.33	\$29,681	81.65%	100.00%	\$130,684		\$5,639.32	\$124,504.88	\$5,599.33	\$5,599.33
Food-Related Costs (CACFP participant, non-reimbursable costs)										
Food (for Abbott children)		\$23,820	100.00%	100.00%	\$0.00		\$23,820.16		\$23,820.16	\$23,820.16
Food Worker Salary (cook)	1.00	\$25,352	78.31%	100.00%	\$19,371		(\$227.65)	19,143.30	\$0.05	\$0.05
Food Worker Salary (cook asst.)	1.87	\$20,172	76.81%	100.00%	\$35,397		\$314.53	21,833.33	\$3,553.20	\$3,553.20
Employer Payroll Taxes (For Abbott Educational Program Positions only)										
Social Security (6.20%)					\$86,309		\$9,230.86	89,716.00	\$3,923.66	\$3,923.66
Medicare (1.45%)					\$20,185		\$1,457.34	20,748.10	\$894.24	\$894.24
Unemployment (2.80%)					\$22,330		\$19,462.11	25,784.00	\$16,028.10	\$16,028.10
Disability (0.50%)					\$7,463		\$1,834.88	5,182.13	\$2,300.75	\$2,300.75
SUBTOTAL, Abbott Educational Program Costs					\$1,761,965		\$188,887	\$1,737,404	\$213,249	\$213,249
Preschool Children/Childcare Subsidies and Facilities Costs										
Director Salary	1.00	\$86,515	76.51%	100.00%	\$65,872		(\$544.35)	85,327.65	\$0.00	\$0.00
Social Security (6.20%)					\$3,980		\$60.31	4,050.31	\$0.00	\$0.00
Medicare (1.45%)					\$947		\$14.25	947.25	\$0.00	\$0.00
Unemployment (2.80%)					\$1,828		\$1,403.17	631.11	\$1,198.08	\$1,198.08
Disability (0.50%)					\$327		\$217.64	130.05	\$196.59	\$196.59
Director Benefits	1.00	\$12,977								
Family Worker Benefits	5.33	\$4,498								
Food Worker Benefits (cook)	1.00	\$3,802								
Food Worker Benefits (cook asst.)	1.87	\$3,113								
Rent, Mortgage, Other Space Costs		\$157,480	75.51%	100.00%	\$25,371		\$10,784.97	28,581.94	7,574.03	7,574.03
SUBTOTAL, Preschool Children/Childcare and Facilities Costs					\$118,913.47		\$0.47	\$118,913.47	(0.00)	(0.00)
SUBTOTAL, Abbott Educational Program Costs					\$2,151,614		\$11,936	\$2,169,582	\$9,989	\$9,989
ADMINISTRATIVE, SUPPORT AND SUBJECT COSTS										
SUPPORT COSTS										
Clerical Salary	1.00	\$32,825	75.51%	100.00%	\$24,301		\$560.73			
Clerical Benefits	1.00	\$4,938	75.51%	100.00%	\$6,885		(\$3,256.31)			
Janitor Salary	1.67	\$23,566	75.51%	100.00%	\$29,717		\$9,396.21			
Janitor Benefits	1.67	\$3,534	75.51%	100.00%	\$2,529		\$1,827.45			

IEP
2008-2009 FISCAL YEAR
BUDGET VS. ACTUAL

	FTE/Student	Unit Cost / Average Unit Cost	DOE Share of District Costs	Always Share of Administrative District Costs	Ytd Cost	YTD TOTAL PER PROVIDER EXPENDITURE REPORT	BUDGET TRANSFER	BUDGET MINUS YTD PER PROVIDER	YTD TOTAL PER AUDITORS	BUDGET MINUS YTD PER AUDITORS	VARIANCE - AMOUNT DUE BACK
Social Security (6.20%)					\$3,364	\$2,628		\$757.89			
Medicare (1.45%)					\$791	\$614		\$177.39			
Unemployment (2.80%)					\$1,528	\$823		\$705.21			
Disability (0.50%)					\$273	\$200		\$72.99			
INDIRECT COSTS											
Office Equipment-2000 and Repair	1.00	\$7,581	75.51%	100.00%	\$5,724	\$3,668		\$2,056.43			
Office Materials and Supplies	1.00	\$12,366	100.00%	100.00%	\$12,366	\$15,717		(\$3,351.00)			
Food-Related Paper Supplies	1.00	\$2,820	75.51%	100.00%	\$1,978	\$0.00		\$1,878.37			
Cleaning Supplies	1.00	\$20,232	75.51%	100.00%	\$15,277	\$25,190		(\$9,902.78)			
Food for Meetings	1.00	\$2,620	75.51%	100.00%	\$1,878	\$785		\$1,223.37			
Building/Grounds Maintenance/Repair	1.00	\$61,298	75.51%	100.00%	\$46,277	\$36,922		\$9,655.18			
Utilities	1.00	\$39,900	75.51%	100.00%	\$29,827	\$29,388		\$428.53			
Telecommunications Services	1.00	\$7,824	75.51%	100.00%	\$5,883	\$5,504		\$679.43			
Security Equipment	1.00	\$3,275	75.51%	100.00%	\$2,473	\$0.00		\$2,472.98			
Insurance	1.00	\$39,000	75.51%	100.00%	\$29,449	\$41,654		(\$12,205.02)			
Accounting Fees	1.00	\$27,500	75.51%	100.00%	\$20,786	\$14,488		\$6,287.31			
Payroll Preparation Fees	1.00	\$12,600	75.51%	100.00%	\$9,439	\$8,504		\$934.78			
Advertising	1.00	\$9,474	75.51%	100.00%	\$7,154	\$620.00		\$6,533.84			
Staff Transportation	1.00	\$1,310	75.51%	100.00%	\$989	\$189		\$790.18			
Profit, if Applicable (2.5% max)	1.00	\$48,766	100.00%	100.00%	\$307,207	\$44,049		\$4,717.31			
Subtotal of Above Administrative and Indirect Costs						\$288,967		\$20,640.36	\$378,226.77	\$28,981	\$28,981
SECURITY GUARD (includes fringe)											
Security guard (includes fringe)					\$34,946	\$23,244		\$11,602.00	\$24,945.26	\$9,900.74	\$9,900.74
SUBTOTAL, Special Requests					\$34,946	\$23,244		\$11,602.00	\$24,945.26	\$9,900.74	\$9,900.74
DOE PER-PUPIL PROGRAM TOTALS											
DOE Total Cost					\$2,520,288	\$2,287,390					
DOE Per-Pupil Cost					\$10,591						
INSTRUCTIONAL SUPPLIES											
Instructional Supplies					\$8,000	(\$8,000)					
DOE Total Cost Less District Adjustments					\$2,512,288	\$2,279,390		\$323,898	\$2,259,157	\$253,066.53	(\$8,000.00)
DOE Per-Pupil Cost Less District Adjustments					\$10,488			\$323,898	\$2,259,157	\$253,066.53	\$253,066.53

**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: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER Innovative Educational Programs (IEP) Learning Center
NAME OF DIRECTOR Ms. Lee Coughlan
Address of Provider 30 Michigan Ave. Paterson, NJ 07503

TELEPHONE NUMBER (973)881-1583 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
2	Deficiencies noted in the review of required staff credentials.	The District will continue to do site visits to review centers' background checks and will continue to require that Providers perform timely background checks and physicals. The District will again request and document benefit waivers.	Perform site visits to review background checks, physicals and benefit waivers.	Susana Peron	June 2010

Donna W. Egan 1/29/10 Date Board Secretary/Business Administrator 1/29/10 Date
Donna W. Egan Chief School Administrator
Donna W. Egan 1-29-10 Date
Donna W. Egan Fiscal Specialist _____ Date
 _____ Provider Date

**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: _____

PROVIDER CONTACT INFORMATION: Name of PROVIDER Innovative Educational Programs (IEP) Learning Center
NAME OF DIRECTOR Ms. Lee Coughlan
Address of Provider 30 Michigan Ave. Paterson, NJ 07503

TELEPHONE NUMBER (973)881-1583 FAX NUMBER _____

FINDING/ RECOMMENDATION NUMBER	FINDING	CORRECTIVE ACTION	METHOD OF IMPLEMENTATION	INDIVIDUAL RESPONSIBLE FOR IMPLEMENTATION	COMPLETION DATE OF IMPLEMENTATION
1	The provider under spent the approved budget.	The District will recover \$253,098.83.	Reduce monthly tuition payments to the center. On February 18, 2010 the Department of Early Childhood has scheduled a session to prepare for budget planning. In addition, cohort sessions will be scheduled to provide technical assistance with budget issues and line item transfers.	Susana Peron	June 2010

[Signature] Chief School Administrator 1/29/10 Date
[Signature] Fiscal Specialist 1-29-10 Date
Board Secretary/Business Administrator Tom Date
Provider _____ Date